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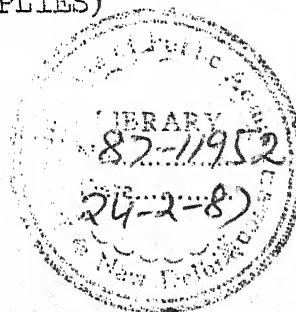
ORIENTATION SEMINAR  
ON  
THE PUBLIC DISTRIBUTION SYSTEM  
(FEBRUARY 11-12, 1987)



Seminar Organising Committee

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5. The Public Distribution System Plan Perspectives
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LOGIC OF PUBLIC DISTRIBUTION

BHABATOSH DATTA

## Logic of Public Distribution

BHABATOSH DATTA

It was only to be expected that the proponents of food security through imports, who are encouraged by the undeniable fact of the rising trend in domestic production, would now press for dismantling the public distribution system. The domestic production of foodgrains, though still below the peak output of 152.37 million tonnes reached in 1983-84, should reach 180 million tonnes by the end of the seventh plan though the 1985-86 output is likely to be short of the target of 159 million tonnes by about 11 million tonnes. Even with the present levels of output, with equitable inter-regional and inter-personal distribution, no one in India should remain underfed, according to our standards. Those in favour of food imports argue, however, not only for occasional reliance on foreign supplies in the years of short production, but also for a reduction in the application of resources for foodgrains production and the use of the released resources for producing goods which could be traded for food.

The dangers of such a policy have already been emphasised in a previous article (Business Standard July 3, 1986). The argument for abolishing the public distribution

system stands on the faith that India will not suffer from any shortage in food availability, when domestic production and imports are taken together. Therefore, the economy can rely on the market forces to ensure that amount of food production which the system would make profitable to produce and also to ensure that the supplies reach all consumers, who will of course have to pay the prices established in the market.

The argument derives its support from the fact that, historically, public distribution in its major form of rationing and controlled prices has been connected with sustained periods of shortages in supply. The case best known to us is the war-time rationing of essential food and clothing in the United Kingdom, which continued for a few years after the conclusion of the Second World War. The British were essentially dependent on imported wheat and meat and the supplies available had to be largely directed to the fighting forces. And the total available supply was seriously affected by the disruption of the trade routes between the suppliers of meat and the British consumers. Cloth was in short supply because of the difficulty in importing wool and cotton. Sweets had to be rationed because sugar was also imported in large quantities in normal times. A country wide public distribution system covering all persons, rich or poor, had to be

introduced and the available supplies were equally distributed among all. There were occasional reports of black markets and of "teddy-boy" trading, but the quantitative magnitude of all this was small. The British implemented a very successful public distribution system in the forties.

1 An interesting step was the issue of coupons, particularly cloth coupons, with a coupon-value attached to every article of "utility" clothing. This was described as a "two-currency" system, under which a buyer had to pay the money price and also to pay another price by surrendering coupons. In effect, everyone had two incomes - a market determined money income from employment and a socialistically determined coupon income, distributed equally among all. The coupon system gave the consumer some freedom of choice, which was not available under the "points" system adopted for meat or sweets. It was not possible for a consumer to buy more meat by reducing his consumption of another rationed commodity, but he could buy two or three shirts if he refrained from buying, say, a woollen jacket. The coupon system meant a limited application of the "expanded choice" principle.

It is necessary to say all this to bring out the fact that the rationing system adopted in India was never

as through as its British counterpart. Basically, the Indian system is "points" rationing with specified amounts available on each ration card. In the case of commodities like sugar, experiments have been made with "levy sugar" distributed at subsidised prices through ration cards and "free sale" sugar available in the markets at higher prices. There has also been a threethier pricing system, the ration shops selling a small quantity at quite low prices and another quantity at a higher price, while there has also been a legally-permitted free market at still higher prices. During the war an attempt was made to sell "standard cloth" through the ration shops, but this experiment was shortlived. At present, the "fair-price" and ration shops supply rice, wheat, sugar, kerosene, rapeseed oil and sometimes a few other things like soap or exercise books, or even cloth.

There are however major deficiencies in the system. First, it does not effectively cover the entire population. There is "statutory rationing" in big cities, where every ration-card holder is entitled to the currently designated quantities of the rationed goods, but in the rest of the country there is only what is called "modified rationing", under which extremely inadequate quantities are sold and there is no assurances that supplies will at all be available. There is extreme discrimination between the city population and the others. In West Bengal, about 90 per



cent of the available foodgrains supply is usually distributed through statutory rationing in the CMDA and the Asansol-Ranigunge areas. The modified rationing system exists more in name than in effect. The discrimination is made harsher by the fact that in the cities the number of ration cards used for drawing the supplies is larger than the recorded population, implying that many households have more cards than they are entitled to.

The second deficiency is that there is a flourishing black market in foodgrains. It is so open that it cannot perhaps be called black; it is a grey market allowed to operate with impunity. Here too the city residents, with their higher purchasing power, get the benefit, further reducing the supplies available in the other areas. The supplies that reach the rural areas are sold at prices which are too high for rural incomes and herein lies the major problem which is independent of the existence or non-existence of the present public distribution system. A third deficiency lies in the interstate disparities with plentiful supplies in some states and short supplies in others, with foodgrains used as cattle-feed in some states and cattle-feed used as food in some.

Behind all this operates a strong political pressure from the farm lobbies in the agriculturally prosperous states, forcing the government to buy foodgrains at high

prices from highly subsidised producers. The sale of the official foodstocks to the state governments also means a heavy loss and the result is that stocks accumulate in the government warehouses. We have the crazy situation in which a large demand for foodgrains remains unsatisfied, while the foodstocks with the government amount to around 26 million tonnes - i.e. more than 17 per cent of the annual production - and may rise to 30 million tonnes. While on the one side we are asked to ensure food security through imports, we find the authorities eager to export even ordinary qualities of rice.

It is in this situation that the public distribution system is sought to be abolished, replacing it by the open operation of the market forces. And here lies the major failure to understand that rationing is necessary both when the market forces would mean inequitable distribution of short supplies and also when the same market forces would lead to similar inequitable distribution even when the supplies are large, as in the Indian situation. The important goal is to reach the essential supplies to the lowest income groups. Rationing of short supplies seeks to achieve, this, though actually the Indian system has failed to reach the desired ends. But there is no assurance that market forces will make food supplies available to the poorest, even when the supplies are large.



It is essentially necessary to recognise the fact that a large total supply for the country as a whole does not necessarily mean large supplies in every region and in every market. The free operation of the market forces will carry the supplies to those markets which contain buyers with incomes high enough to pay the market prices. It is almost certain that if the market forces are allowed free play, some states will get more supplies than others, cities and towns will get more supplies than the rural areas and the lowest income groups will find that the supplies are beyond their means. The free operation of the market forces will not create incomes for these groups; the possibility on the other hand is that an all-pervasive market force policy will mean a reduction in employment (through a wide adoption of capital-intensive methods) and therefore in incomes. Inequality in consumption may increase and is at least not likely to decline.

The basic fact is that a public distribution system is necessary both when the aggregate supplies are short and also when the supplies, though large in the aggregate, are short for large numbers of consumers. The number below the poverty line is still about 283 million, if one takes simply the official percentages. A free market may mean an overall decline in prices in some years, but that will be no consolation to persons without incomes.

And, there is no assurance that the supplies will be large every year, even when the imports are large.

Two other facts have to be noted here. First, it may be that exactly in those years in which food imports are necessary, there may be a pressure of demand in the international markets. And, secondly, free market forces internally will not mean the elimination of unscrupulous large dealers, wholesalers and other intermediates. The government stocks may be made smaller, but the pipeline stocks will depend on the profit-expectations of the intermediaries. Dismantling of the public distribution system will simply mean a privately controlled system of distribution among the public, or among those members of the public who can pay the prices charged.

We were once misled into an abolition of the rationing system in the mid-fifties under the euphoria generated by three successive years of good monsoon. But this had to be immediately followed by large PL 480 imports of foodgrains from the USA (which at that time suited the American economy) and rationing had to be reintroduced. It is easier to dismantle a system than to build it up again.

There is however an important imperative linked with the conclusion that India cannot do without a public distribution system. The system has to be widened and

deepened. There is of course the fact that there are substantial burdens of food subsidies. While the Food Corporation buys the grains out of funds provided by banks, it gets two types of subsidies- first, consumer subsidies equal to the difference between the "economic cost" (which is much higher than the procurement cost, as it includes the costs incidental to procurement and the distribution cost) and the issue price, and secondly the carrying cost of the buffer stock. The budget for 1986-87 includes a provision of Rs.1750 crores on account of "food subsidy". There will be in addition, Rs. 1700 crores of subsidy on indigenous fertilisers, and another Rs. 700 crores of subsidy of imported fertilisers. The total will be reduced by about Rs.400 crores because of the increase in issue price before the budget.

Still, the amounts are large. The question of fertiliser subsidy ought to be examined thoroughly, and there is an urgent need for scrutinising the distribution cost, which (without provision for storage and transit losses) now comes to Rs.50.59 per quintal. Some consumer subsidy is however unavoidable in the Indian economy and in fact the total budgetary support for this will increase if there is a large-scale expansion of the public distribution system. But the increase in cost will not necessarily be proportional to the increase in sales, because some

economies of scale can be easily secured in handling and storage charges and also in freight. There is also the fact that the carrying cost of large undistributed stocks can be minimised by a wider distribution scheme.

It is good to see that the seventh plan states clearly that "the public distribution system is recognised as a permanent feature of the strategy to control prices, reduce fluctuations and achieve an equitable distribution of essential goods". It also recognises the need for "regionally necessary" additions to the list of seven basic commodities now covered (wheat, rice, sugar, imported edible oil, kerosene, soft coke and controlled cloth) by the ration shops or fair price shops. The expansion of the public distribution system has also been made "an important point of action" in the revised twenty-point programme. One will agree wholeheartedly with the Planning Commission that the number of fair price shops should be increased in the "hitherto under-served and un-served areas" and that "the main thrust of expansion is in the rural areas with special attention to remote and inaccessible areas, so that the public distribution system becomes supplementary to the poverty alleviation programme.

One feels disheartened when there are reports of the government being advised (not certainly by the Planning Commission) to throw the distribution of foodgrains open

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to the market system. There are now talks about restructuring the Commission and of inducting experts for short periods. One can easily guess where these experts will come from. The public distribution system requires improvement and so does the Commission. But if the ultimate purpose is to dismantle the first and to covert the other into a playground for pre-oriented econometricians, we shall reach the next decade with insuperable problems in hand. One big mistake can cause the people untold sacrifices and suffering.

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SOURCE:- Business Standard,  
Tuesday 29, July, 1986





THE MAJOR ISSUES IN PUBLIC  
DISTRIBUTION SYSTEM IN INDIA

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# THE MAJOR ISSUES IN PUBLIC DISTRIBUTION SYSTEM IN INDIA

BY

K.N. KABRA & ANIL C. ITTYERAH

The public Distribution System (P.D.S.) is visualised both as an anti-inflationary measure and as an anti-poverty measure. In the anti-inflationary sense its main thrust is to provide inflation-protected supplies of some selected essential commodities to the consumers. In this sense, the P.D.S. strives to soften the hardships caused by inflation which leads to the erosion of purchasing power, particularly in the hands of the fixed income group or those who are 'pricetakers'. The P.D.S. is not designed to generate additional purchasing power into the hands of the poorer sections\*. It, however, helps to maintain the real value of the purchasing power available to the poorer sections. In this sense, its impact is similar to that of any conventional poverty-alleviation measures.

In this chapter we begin our discussion by specifying the conditions which may enable the P.D.S. to serve its anti-inflation and anti-poverty objectives. Since the P.D.S. is a part of the National Food Policy, section II is devoted to specifying certain macro-level conditions for the fulfilment of the twin objectives, specially if the policy of target group orientation is to be introduced. From this, we move on to section III to discuss the implications for the organisation of the P.D.S. if it is also to serve two additional objectives, viz. price stability with respect to all essential commodities and such a wide coverage of the P.D.S. supplies as to protect the purchasing power of every consumer's money income.

\* Unlike other anti-poverty programmes which by doing so may create an inflationary situation if certain assured supplies are not made available; in this distinct sense the P.D.S. seems to more effectively combine the two objective of price control and poverty alleviation.



In the light of this discussion, section IV is devoted to some implications of the prevailing P.D.S in India which grants a near universal access to the P.D.S. without a commensurate level of supplies and with a low and frequently variable per capital entitlement. From this we proceed in section V to present a simple model of the functioning of the P.D.S. which shows the sequence of effects which arises if the conditions with respect to macro-factors, administrative arrangements, retail outlet and consumers are not conducive to the fulfilment of anti-inflation and anti-poverty aims of the P.D.S. We conclude in the last section by specifying the hypotheses for our study.

#### I

The combined anti-inflation and anti-poverty thrust of the P.D.S. cannot be taken to be axiomatic or automatic. It is based on some important underlying assumptions. Some of these important assumptions are as follows:-

1. The commodities covered under the P.D.S. form a major part of the essential consumption basket of the relatively poor and vulnerable sections of society.
2. The supply of essential commodities under the P.D.S. are adequate to meet a large part of the essential consumption demand of the relatively poor section of society, which means that the entitlements to various commodities are fixed in such a manner, that a reasonably large portion of the demand for these commodities are satisfied by the P.D.S. Only on the fulfilment of this condition can the P.D.S. produce a reckonable real income effect on account of low and fixed prices in contrast to high and rising market prices. The ration-scales have to be a reasonably decent part of the total requirements of each family. This has to be so for two reasons. First, this is how a reasonable level of consumption can be insulated from rising prices. Second, an adequate ration-scale is essential for defraying the real costs entailed in approaching a Fair Price Shop. (F.P.S.).

3. It means that, at the macro-level, total P.D.S. supplies have to be a reasonably large part of total cereal output in the country to be able to discharge the task of protecting the purchasing power of the poor men's income by acting as a supplement to the market and thus contribute to poverty alleviation.
4. In order to enable the poor sections with sticky incomes to avail of the P.D.S. supplies, there has to be a systematic method of identifying them and issuing them with ration cards in a convenient manner. The ration card is a kind of gateway to obtaining access to the P.D.S. It is important that all the members of the family are included in the ration card and the procedure for making ration cards takes into account social and economic situation and status of the relatively poor sections who, in the rural areas, may be quite remote from the agencies issuing ration cards, and in the urban areas may not have such a place to reside as may satisfy the legal requirements of a house address.
5. The P.D.S. prices have to be comparatively lower than the open market prices and have to be stable over a relatively long period of . The P.D.S. is a part of the national food and agricultural policy. One of its components is co-ensure reasonable incentive price, as determined by the agricultural prices and Costs Commission, by means of procurement operations. Procurement prices are expected to act as floor level support prices. The price to one consumers of P.D.S. supplies has to be procurement price plus administrative overheads and transport cost. Since these additions make the food prices too high, for the poor masses, a certain subsidy is given and and P.D.S. prices are fixed at a low level. If procurement prices for cereals really become the floor prices, the P.D.S. prices, incorporating an element of subsidy will be lower than the market prices. Since procurement prices are paid for the cereals of fair and average quality the P.D.S. attracts relatively poorer quality supplies. Relatively superior qualities reach the open market and fetch higher prices. Thus the P.D.S. supplies, albeit relatively inferior in quality, become relatively low price and subsidy policy. However, the entire arrangement is dependent on procurement price in effect becoming the minimum price. However, if procurement prices fail to become the floor level prices in the open (free) market, the market prices may rule at level lower

than the P.D.S. prices, particularly in years of bumper crop. That is if the policy of ensuring incentive prices to the growers through pre-announced procurement price fails to become operational, the P.D.S. prices may not at times remain lower than market prices. This removes the basis of the P.D.S. as the demand for its supplies would dry up on account of a combination of price and quality factors.

It may be suggested that drying up or weakening of the demand for the P.D.S. supplies as a result of lower market-prices should cause no concern, as the purpose of low-priced supplies is in any case met. This is a misleading and one-sided view. Food policy is an integrated package dealing with production, distribution, incentives and availability to each section and region. Origins of the P.D.S. are connected with incentive price policy for farm produce consequent to the introduction of the 'Green Revolution' package. Denial of procurement prices to the farmers may for a while do away with the need for the P.D.S. but results in denial of incentive price to the agriculturists. This is likely to invite scarcities and high and rising prices with renewed vigour at a later stage. In the face of such redoubled need for the P.D.S., internal supply lines for the P.D.S. would not be available. Thus P.D.S. has to be a stable, on-going phenomenon and not just a short-run, temporary phenomenon. This requires that the farmers must receive the procurement price and there should be minimum additions to it order to arrive at P.D.S. issue price for the consumers, which has to be at a level lower than the market price.

6. The distribution system has to have a large number of suitably located outlets enabling those who intend to buy their essential requirements from the P.D.S. source to do so without incurring any undue real or monetary cost (including the real cost of inconvenience of various types). If there are high real and monetary costs involved in obtaining the P.D.S. supplies, they may wipe-out the difference between the open market prices and the P.D.S. issue prices. In order to meet this requirement, it is essential that the following aspects are taken care of while instituting a suitable network of P.D.S. supply outlets, generally called fair price shops.

- (a) Appropriate location and size of shops which are not over-loaded with customers or stocks.
- (b) Management and operation of the F.P.S. by such people who can provide convenient and effective services of retailing the right quantities to which the consumers are entitled at price fixed by the Government.
- (c) The shops remain open on specified days and during fixed hours.
- (d) The shops are regularly well-stocked, which might entail that the F.P.S. maintains a safe level of inventory for meeting various contingencies.
- (e) The periodicity of purchase permitted under the scheme of the P.D.S. be such that it corresponds with the flow and replenishment of purchasing power in the hands of the consumers.
- (f) The quality of the goods supplied is of fair average quality and in correspondence with the price charged. The goods have to be hygienic and should carry an assurance that adulteration has not takes place.
- (g) In order to give the consumer a fair degree of assurance that the supplies are regularly available as and when required, it is essential that the shopkeeper and distribution channels are assured of adequate turn-over with reasonable margins taking into account the cost of distribution and the normal rates of return for comparable activities. In this connection, it may be noted that if emphasis



is given to higher margins without taking into account an adequate level of turn-over, it may turn-out to be counter-productive for the viability of F.P.S. This is because the higher the level of margins allowed, the lesser the price-difference between the P.D.S. issue prices and market prices, leading to diversion of demand away from the P.D.S. This reduces turn-over and gross income of F.P.S.

The assumptions we have listed above are of critical importance for ensuring the fulfilment of the objectives of the P.D.S. as a poverty-alleviation measure in an inflationary context. It is also implied by these assumptions that it may not be appropriate to automatically equate the lifting of stock by F.P.S. owners with off-take by consumers. Presently the figure for the P.D.S. offtake by consumers are treated to be the same as are the quantities lifted by or delivered to F.P.S. from the wholesale source of supply set-up by the Government. The assumption appeared to be that since at the time of replenishing the stocks, the F.P.S. owners get these record regarding supply to consumers verified by the Civil Supply Authorities and there also being in operation the enforcement staff of the Civil Supply Department who make periodical checking of the F.P.S., the quantities collected by the F.P.S. are actually delivered to the consumers. This assumption implies that even without necessarily creating objective conditions in which the consumers can have a fair and reasonable opportunity of acquiring access to the P.D.S. supplies, the administrative procedure of issuing fresh stock replenishment and inspections can ensure that neither the access is partially or fully blocked, nor the P.D.S. supplies are diverted to unauthorised users. Hence, we have given greater emphasis to the creation of objective conditions



which can ensure access to the P.D.S. supplies to the poor sections of society as compared to exclusive reliance on administrative procedures and controls. However, this is not to deny the role for administrative arrangement for delivering the stock after proper check-up and the deterrence provided by methods of periodic or surprise inspections.

## II

In order to ensure that the P.D.S. is able to achieve its objectives of insulating the relatively poorer ones from the effects of constantly rising prices and thus help alleviate poverty, it is essential to ensure (in addition to the assumptions discussed above) the fulfilment of certain macro-level implications of this scheme.

The total number of people who have to be provided with inflation-protected supplies are, by any reckoning, about half of the country's population. If the P.D.S. is aimed at relatively poor people, at least the minimum nutritional requirements of cereals have to be supplied to them. It is clear that the P.D.S. supplies have to be of a very sizeable order and much larger than the present offtake level (See Table 1) Given the present limited size of the P.D.S. Supplies (See Table 2) and largely non-differentiated and practically universal coverage of the P.D.S., it follows that the capability of the P.D.S to meet its twin-objective becomes seriously impaired.

The P.D.S. is only one component of the present system of meeting the consumption requirement of essential cereals and sugar in the country. This kind of informal rationing with near universal coverage is a supplement to the relatively larger open uncontrolled market in the dual market for cereals and sugar. The dual market operates in addition to the extensive system of self-

provisioning by a large number of farmers with viable land-holdings. There are some sections of the society, both in rural and urban areas and in organised and unorganised sectors, who have a better capacity to obtain the requirements of cereals and sugar from the open, uncontrolled market on account of their economic status and the market relations which make them the beneficiaries of an inflationary economy. These "price-givers" can easily be identified on the basis of established theoretical insights about the working of the inflationary processes.

On the basis of the already existing macro economic data for the Indian economy, one can arrive at reasonable estimates of the population capable of meeting its needs/demand from the uncontrolled segment of the dual market on account of its relatively stronger economic position which is further strengthened by inflationary redistribution. Similarly, the viable and surplus farmers (with operational land-holdings of two standard hectares and above) may well be left to depend on a combination of self-provisioning and uncontrolled market.

The residual population becomes worse off as a result of redistribution unleashed by a sustained inflation. However, some of the sections from among the inflation-hit, though they receive contractual fixed incomes, have a relatively comfortable level of income and/or their incomes are more or less inflation-indexed. It may be suggested that the neutralisation of inflation is inadequate and delayed and hence the need for giving them access to inflation-protected P.D.S. supplies. It can also be argued that supplying essential goods at fixed prices and calculating the cost of living index

TABLE - I

OFFTAKE OF CEREALS\* AND NET AVAILABILITY IN INDIA  
(1967-68)

Year	Offtake	Percentage change in offtake over previous year	Net availa- bility	P.D.S. Offtake as percentage of net availa- bility
	'000 tonnes		'000 tonnes	
1967	13166	-	7 387 1	17.82
1968	10221	(-) 22.37	86807	11.77
1969	9385	(-) 8.18	85628	10.96
1970	8841	(-) 5.80	89494	9.87
1971	7816	(-) 11.59	94311	8.28
1972	10473	33.99	96218	10.88
1973	11400	8.85	88794	12.85
1974	10378	(-) 8.96	97142	11.10
1975	10903	5.06	89235	12.22
1976	8890	(-) 27.2	102080	8.71
1977	11315	27.80	99391	11.38
1978	9843	(-) 13.01	110225	8.93
1979	11423	16.05	114199	10.74
1980	14725	28.91*	101418	14.52
1981	12702	(-) 13.53	114865	11.06
1982	14420	13.53	106870	13.49
1983	14613	1.34	103281	14.15

\* Cereals includes Wheat, Rice & Coarse Grains.

Source: Bulletin on food statistics 1968, 1970, 1974, 1976,  
and data from the Ministry of Food and Civil  
Supplies, GOI.

OFFTAKE AND CEREAL REQUIREMENTS IN INDIA

Year	Population covered in lakhs	Cereals Requirements on the basis of minimum ration scale (thousand tonnes)	Cereals Requirements on the basis of 403 gm. per person (thousand tonnes)	Offtake of Cereals (thousand tonnes)	Offtake as % of requirement based on norm.	Offtake percent of requirement based on minimum Rationscale
1975	4694.7	69012.09	28637.67	10903	38.07	15.80
1976	5655.9	83200.53	34525.39	12890	25.75	10.69
1977	5890.9	86596.23	36544.49	11315	30.96	13.07
1978	6130.4	90116.80	37395.44	9843	26.32	10.92
1979	6102.8	89711.16	37227.08	11423	30.68	12.73
1980	6239.7	91723.59	38062.17	14725	38.69	16.05
1981	6604.9	97092.03	40289.89	12702	31.53	12.08

Source: Based on Bulletin on food statistics 1976 to 1980-81.

Note: (i) Norm-403gm/day/person of cereals only

(ii) Minimum Ration scale has been calculated on the basis of information provided by Food & Civil Supplies Department, Government of Orissa, 1983.



on the basis of fixed prices is a preferable alternative to letting these people with sticky money income rely on the uncontrolled market.

Depending on whether the P.D.S. is viewed as a policy instrument for protecting the meagre incomes of the poorer sections alone or is also viewed as a method of preventing the erosion of the purchasing power of sticky, contractual income groups, one has to take a decision about the level of contractual fixed incomes which are to be given access to the P.D.S. supplies. In general, it may be suggested that insulating a part of the consumption out of wage and salary incomes from inflationary price rise is better than its neutralisation in monetary terms. Thus is the P.D.S. is to specially focus upon the poverty group in the country, it would tend to follow that:-

- i) The overall size of the P.D.S. has to be commensurate with the size of the population treated as the poverty group, and people with fixed monetary income;
- ii) the size of overall P.D.S. supplies would also depend on the proportion of the essential consumption of the poorer ones which is sought to be insulated from rising market prices (this determines the commodity coverage of the P.D.S. and the size of per-capita/per family entitlements of the chosen P.D.S. basket of goods);
- iii) the sections of the population who have better access to uncontrolled markets and/or self-provisioning on account of their being the beneficiaries of inflation need not be covered by the P.D.S, if a dual market system is to operate. If the entire wholesale trade in foodgrains is to be nationalised, a P.D.S. with universal coverage becomes not only understandable but perhaps essential as well. But trying to bring every-one under the P.D.S. while leaving the bulk of the supplies of cereals with the market is to leave the choice of actual beneficiaries of P.D.S. to the market forces and the powerful groups - in society.

The size of the P.D.S. supplies (either in absolute terms or as a proportion of net output) has to be related to the size of annual procurement, buffer stocks on hand, permissible rate of stock depletion and possibilities of supplementation/depletion by way of imports/exports on public account. The financial, organisational, physical and administrative infrastructure for it and the costs involved have to be taken into account. Since procurement prices have also to serve the objective of looking after the incentives to the producers and the rising cost of production during a period of inflation, a policy of inflation-protected supplies has necessarily to involve an element of consumer subsidy. Thus the P.D.S. entails a formidable cost item in the form of consumer subsidy. Furthermore, pushing up procurement (at a fixed price) beyond a point may hurt the farming community in so far as their terms of trade may worsen as a result of inflation and reliance on non-voluntary methods of procurement would tend to deprive them of the 'benefits' of inflation in so far as they are changed from 'price-givers' to 'price-takers'. In determining the policy objectives and policy instruments for providing inflation - protected supplies to the poorer sections, these assumptions, implications (including those regarding costs) have to be kept in view.

### III

At this stage, it may be pertinent to examine the implications of often attempted widening of the goal-structure of the P.D.S. by the inclusion, jointly or separately, of two additional objectives, viz., the use of the P.D.S. for moderating the extent of price rise of essential goods and protecting the erosion of every rupee spent on some essential commodities by all the consumers irrespective of their economic and social status.

To the extent a better part of the demand for cereals and sugar (accounting for 10.743 and 2.191 percent of the weight in wholesale price index respectively) for a sizeable part the population is met at fixed prices under the P.D.S. and to the extent these groups are unlikely to possess extra purchasing power to go to the uncontrolled market for improving their intake of cereals, the pressure of demand for certain essential goods which play a part in triggering-off and accentuating the inflationary spiral is reduced. The assumption that the P.D.S. supplies actually reach the indigent and nearly swamp their demand is critical for keeping off this section of society from the uncontrolled market, thereby moderating the speed of inflation. The diversion of the P.D.S. supplies to the unintended buyers (be they better off sections or bulk consumers) weakens this counter-inflationary impact significantly.

To the extent the better-off sections avail of the cheaper P.D.S. supplies, they experience a positive income effect which may generate strong additional demand for many other goods, including that for superior food products. When the P.D.S. supplies reach the bulk consumers as their raw material, it is likely to leave the pricing of their products still remain based on legal, uncontrolled market prices. This may be because there are likely to occur frequent disruptions in the availability of the P.D.S. diverted cereals and sugar from the black market. Furthermore, if the producers of sweets, bakery products and other bulk consumers like hoteliers were to pass on the benefit of black market purchases of raw materials to their consumers, they would have little direct inducement to take the risk of resorting to the black market. However, there may be exceptions to this when they resort to black markets mainly on account of inadequate availability in the uncontrolled market and not so much in order to avail of



low-priced supplies. Thus whatever little direct impact towards countering inflation may ensue from the P.D.S. supplies to the poorer sections is dependent on the fulfilment of the assumption which equate lifting of the stocks by F.P.S. owners with the actual offtake by the consumers i.e. non-diversion of the P.D.S. stocks to unauthorised persons.

The supplies under the P.D.S. are, only as effective in meeting their avowed objectives as is the success of the P.D.S. in its operational, administrative design. This applies as much to those elements of the P.D.S. which are directly tailored to meet the requirements of the consumers as are designed to ensure the viability of the F.P.S. (i.e., giving a fair surplus over and above all the costs of financial and labour resources used by the authorised dealer) and thus creating objective conditions for the F.P.S. dealer to play their part fairly.

If the policy objective is enlarged to provide inflation insulated supplies of some essential commodities to everyone i.e. a resolve on the part of public policy to have strong counter-inflationary thrust, the macro implications on the size of the P.D.S. supplies of essential cereals and sugar are very strong, practically taking-over the entire distribution system for essential goods. They verge on practically limiting the uncontrolled segment of the dual market to (i) that part of the consumption of the well-to-do which is in excess of the minimum norm level of essential consumption, and (ii) the bulk buyers of cereals (as raw-materials for their business purposes). The costs of the P.D.S. of this ambitious nature are likely to be very high in terms of the following: (i) administrative-organisational arrangements for procurement, \* which may really happen only in case they were operating in strong competitive markets.

transport, storage and distribution of a major part of cereal output (ii) consumers subsidies and (iii) incentive price policy for agricultural growth.

If the policy thrust is defined, by and large, in terms of of protecting the essential consumption level of the worse-off as well as the contractual, sticky money income receivers of the organised sector (a large proportion of whom belong to the worse-off categories in any inflationary context) and thus to act to a limited extent, as a counter-inflationary measure but mainly as one designed to soften some of the harsher consequences of inflation for the poor and fixed money-income earners, then it becomes counter-productive to give a near universal coverage to the system of informal rationing.

#### IV

However, as we shall see, the case in India (except for Gujarat which applies a system of exclusion leaving out about 12-5 per cent of the population from cereals rationing, and Andhra Pradesh which gives extra low priced supply to source specified group and in Kerala, M.P., modified rationing areas of West Bengal and Goa which exclude some categories of larger farmers and in Jammu and Kashmir where a complex system of differentiation in access to the P.D.S. operates) is one of near universal access to P.D.S.

When a near universal coverage is given to the P.D.S. without making the P.D.S. supplies a corresponding proportion of net production, a large number of disfunctionalities are unwittingly introduced in to the system to defeat the basic objective of a dual market system. It is apparent that, with the present level of the P.D.S. supplies, the

civil supply authorities cannot meet their obligation of keeping the F.P.S. well-stocked and regularly replenished with commodities. As a result there does not operate an assurance to the consumer that he can look forward to regular supplies from the P.D.S. channels.

The Government cannot have, with present levels of procurement imports and buffer-stocks, adequate stocks to regularly supply the network of F.P.S. To an extent, the supply obligations are reduced by giving very low entitlements per person to the ration card holders.

As we can see from the Table XVIII in chapter II, the entitlements are very low compared to norm level of consumption, even in areas with statutory rationing (like in Calcutta, Assansol and Durgapur in West Bengal). We also learnt that in very many States, Civil Supply authorities change the ration scale (entitlements) from time to time according to supply exigencies. A comparison between entitlement and per capita supplies of cereals from P.D.S. (See Table XVIII in Chapter II) shows how the meagre entitlements cannot be actually disbursed owing, among other factors, to a P.D.S. coverage much wider than is warranted by the size of supplies made available for the P.D.S. purposes. At times within the State, various areas are placed in different zones, and differential graded obligations to supply cereals to them with varying degrees of regularity are accepted (e.g. in Karnataka, Maharashtra).

Thus, one essential prerequisite of a well functioning inflation-insulated food security system that the consumers have an assured supply of a fairly large part of their needs of some important cereals and other goods at fixed prices is violated because far too many are given this commitment compared to the supplies mobilised for the purpose.

RATION ENTITLEMENT AND PER CAPITA OFFTAKE

1	2	3	4	5	6
State	Per-capita entitlement by scale grams/day (1983)	Per capita requirement as per norm (grams/day)	Per capita offtake norm gms/day	Percentage of offtake to norm	Percentage of offtake to entitlement by scale
<u>Southern Region:</u>					
Andhra Pradesh	-	403	29.94	7.18	-
Karnataka	267	403	54.80	14.00	20.52
Kerala	440	403	109.58	27.00	24.90
Tamil Nadu	550	403	36.16	8.97	6.57
<u>Eastern Region:</u>					
Assam	267	403	77.20	19.15	28.95
Meghalaya	267	403	118.86	29.49	44.57
Orissa	167	403	77.33	19.18	46.58
West Bengal	S.R. 400	403	116.36	28.87	29.09
Bihar	M.R. 494	403	116.36	28.87	123.80
	533	403	40.00	9.93	7.50
<u>Western Region:</u>					
Gujarat	334**	403	26.82	6.59	8.04
Maharashtra	400	403	67.39	16.72	16.85
Rajasthan	333***	403	42.20	10.47	12.67
<u>Northern Region:</u>					
Uttar Pradesh	533	403	50.53	12.53	9.47
Madhya Pradesh	400	403	63.60	15.80	15.90
Delhi	633	403	305.00	75.74	48.22

Notes: 1 \* S.R. Statutory Rationing area, M.R. Modified rationing area  
 \*\* Data given by M.I.S. 1983  
 \*\*\* Only wheat have been taken 10 kg. per adult per month  
 2. 403 gram per day cereals, 3. Per-capita entitlement worked out on the basis of ration scale provided by State Govt. (1981) offtake 1981 population covered 1981 Bulletin on food stations 1981-82, offtake data S.P.S., 1981-82.  
 4. Ration scale during 1983, offtake during 1981.



When P.D.S. supplies reach the F.P.S. in inadequate quantities and irregularly (forgetting other factors for the present) on account of inadequate supplies by the State agencies, the F.P.S. owner has a ready alibi for his inability to supply the card-holders according to their entitlement. Many other factors connected with the assumptions for an effective P.D.S. (discussed above) and the macro implications for the food and procurement policy (like, ~~there~~, concerning relatively inferior quality of the P.D.S. supplies in comparison to the variety of relatively superior qualities available in the uncontrolled market) bring about a gap between the quantities supplied under the P.D.S. and the quantities which reach the consumers in order to yield counter-inflationary results. The basic factor which heightens these disfunctionalities, however is the extension of the aims of the P.D.S. to act as a major counter-inflationary move by aiming to provide inflation-insulated supplies to practically everyone who is entitled and manages to have a ration-card issued. In the present system of dual markets for essential cereals (supplemented by self-provisioning), it does not seem possible to successfully aim at, by means of P.D.S., anything more than protection of the essential (and not total) consumption level of the poor, ineffectively employed masses and occupational groups with sticky monetary incomes.

In contrast to such a realistic possibility, if the P.D.S. is made universal, it may become even less accessible to the poorer sections due to the following reasons. Firstly, the better off sections due to their quality preferences and better purchasing power may opt for buying better quality cereals in the open market, and that too in bulk quantities, rather than stagger their purchases of cereals over the period permitted under the P.D.S. Secondly, better off sections in rural areas meet a substantial



proportion of requirements through self-provisioning and may thus exclude themselves voluntarily from the P.D.S. supplies. These two factors provide ideal conditions for the diversion of the P.D.S. supplies to unauthorised buyers, thereby reducing the access of poorer sections to inflation-protected supplies.

The minimum nutritional level of food intake is the key component of the present officially used concept of poverty line. By making the P.D.S. an instrument for protecting the poverty line consumption of the people in a situation of constantly rising prices (generally irrespective of the fact whether we had a poor or a bumper harvest), it is related to a realistic objective under the present framework. This is a rather important objective of public policy and planning in the country and in no way undermines the importance of the P.D.S. If anything, by moving towards a better matching between the target-group aim of the P.D.S. and the feasible size of P.D.S. supplies in the foreseeable time under a dual market system (in contrast to a totally state-controlled market) one is making the P.D.S. somewhat effective in softening the impact of inflation as well. Thus by effectively serving the objective of protecting the consumption needs of the poor the P.D.S., over a period of time, becomes somewhat anti-inflationary as well.

V

On the basis of the discussion so far we can present a simple model of the functioning of the P.D.S. in India. The factors determining the effectiveness of the P.D.S. can be broadly be grouped into four categories. The first set of factors are related to the overall size of the P.D.S. or the Macro factors. The Second set is related to Administration, while the third set of factors relates to the F.P.S.

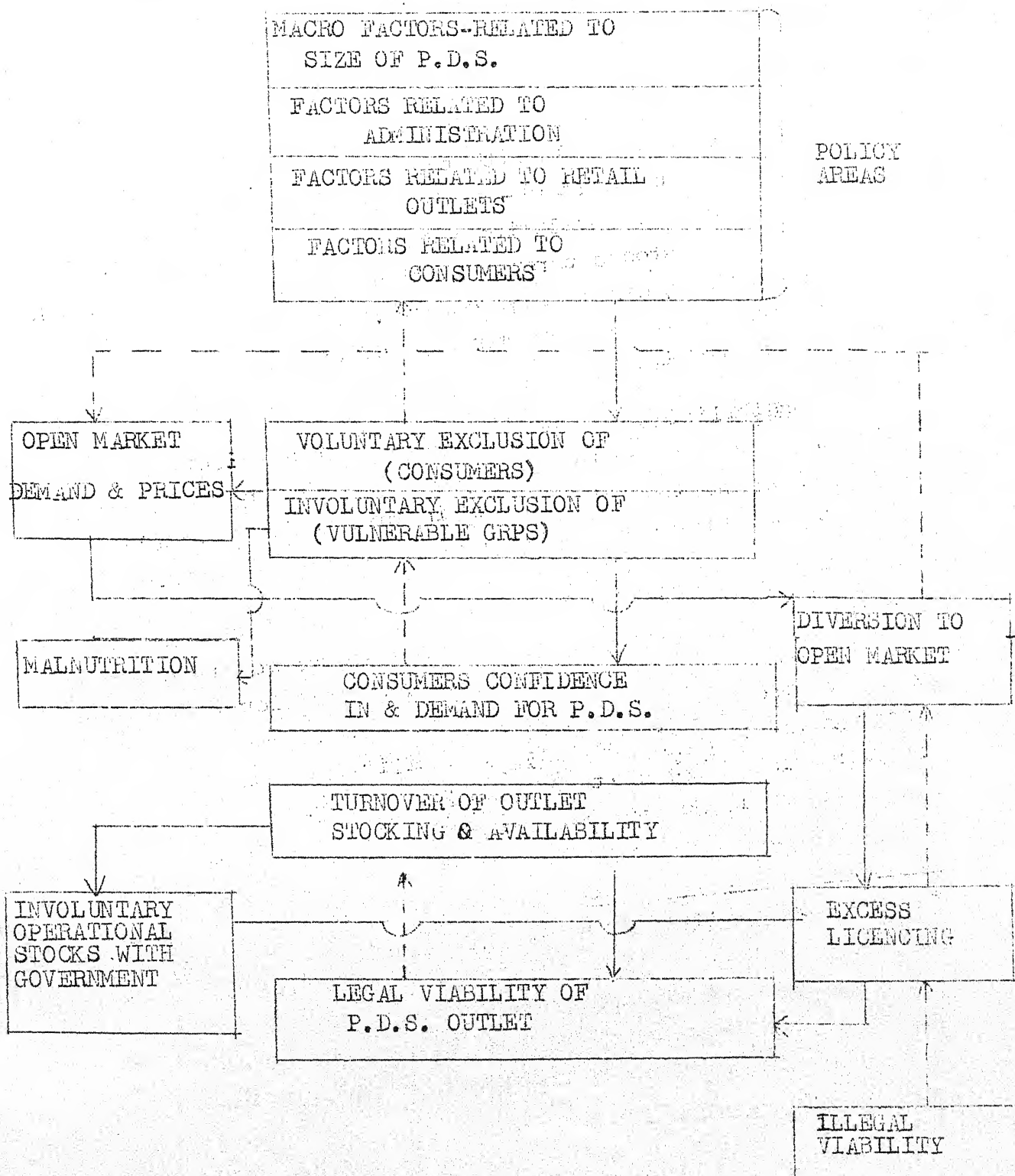
or retail outlets, their viability and functioning. The fourth set of factors are related to the consumers themselves, i.e., their demand pattern, income flow pattern, etc.

These factors, when they are appropriately woven into the actually operating P.D.S, lead to the fulfilment of the objectives of the P.D.S. In part I in the preceeding we have spelled out these conditions. When these conditions are not appropriately and/or adequately adhered to, a number of disfunctionalities mark the functioning of the P.D.S. Some of the main effects of such a situation we discuss in terms of the model depicted in the accompanying display. (on page 24.)

These factors act individually as well as in combination lead to exclusion of the consumer from the P.D.S. Here exclusion can be of two types (a) voluntary exclusion from P.D.S. due to the relative preference for the open market for essential commodities (b) Involuntary exclusion- resulting in forcing a section of the population out of the protective umbrella of the P.D.S., even though they may stand in need of P.D.S. supplies.

Voluntary and involuntary exclusion of potential consumers brings about a shift of demand for essential commodities to the open market, away from the P.D.S. This movement of demand is likely to exert an upward pressure on open market prices thereby widening the gap between open market prices and controlled issue prices. Moreover, this widening price difference acts as an important determinant of diversion of the P.D.S. stocks to the open market through illegal or unauthorised channels.

A SIMPLE MODEL OF THE FUNCTIONING OF THE P.D.S.



Exclusion also weakens the level of consumer confidence in the P.D.S. Thus the credibility of the system is compromised, which creates psychological framework for further diversion.

Taken together exclusion and the erosion of confidence of consumers can have adverse effects on turnover, stocking, and availabilities at the P.D.S. retail outlet and thereby lower the legal viability of the F.P.S. outlet.

A lower turnover can also lead to lowering of offtake from F.P.S. outlets, increasing the level of involuntary operational stocks held with the government.\* With escalating costs of stock-holding and the pressures on a available storage facilities attempts are often made to deplete these stocks through further licencing of the F.P.S. sometimes in excess of requirements. The direct bulk sale by government to the open market, and exports are also often resorted to.

Possibilities of large scale diversion of stocks to the black market may by itself act as an important determinant of excess licencing which in turn could adversely affect the financial viability of the retail outlets.

What has been described above could be viewed as the dominant sequence in our model. However the model would be incomplete without taking into consideration the equally important chain of feed back effects which may further weaken the system. Low viability affects turnover, stocking and availability which in turn further erodes consumer confidence and also steadily increases both voluntary and involuntary exclusion and thereby reinforces the factors determining the effectiveness of the P.D.S.

\* Total stocks with the government agencies can be divided into two parts, namely, operational stocks and buffer stocks.



Illegal viability arising as a consequence of diversion, provides a strong feed back to excess licensing and thereby to further diversion and greater exclusion of intended beneficiaries. This again reinforces the factors determining the effectiveness of the P.D.S. Yet another important feed back chain arises out of the costs incurred by the government for holding involuntary operational stocks. Such costs could finally be reflected in the government's ability to effectively control the macro factors determining the effectiveness of the P.D.S.

The overall effects of this model are manifested as the negation of

- a) Price stability in essential commodities and thereby overall price stability in the economy as a whole.
- b) The timely physical availability of a significant proportion of the essential consumption requirements of the vulnerable groups in society in terms of the ability to protect these groups from malnutrition and poverty.

## VI

On the basis of the preceding discussion, we set up the following hypotheses:-

- a) Given the present size of the P.D.S. and its likely growth under the framework of the present food policy, the near universal, undifferentiated extension of the P.D.S. to the entire population (except for a few minor exception in a few states) makes the system ineffective and dysfunctional.
- b) Provided that the hypothesis (a) is valid; the actual availability of the P.D.S. supplies to the ineffectively employed poor is dependent on the administrative organisational framework and details, as described in five assumptions put forward earlier. To the extent these assumptions do not hold in practice, the stocks of P.D.S. supplies lifted by the F.P.S. dealers do not become actual offtake reaching the hands of the targeted consumers.

- c) For an effective system of providing inflation-indulated supplies of essential commodities to the poor, it is essential that the F.P.S. has a level of regular turnover large enough to give it a sufficient and reasonable reward. These rewards cannot be made reasonable merely by improving the trade margins permitted to F.P.S. dealers, as this would reduce the difference between the P.D.S. issue price and the uncontrolled market price and thus weaken the basis of the P.D.S. In the absence of such a viability, the shopkeepers would lift stocks not only in small quantities but irregularly, and/or try to improve their earnings by methods which compromise the main objective of the P.D.S.

Now we turn to an examination of these hypotheses, first on the basis of macro, secondary data and discussions with various public agencies connected with P.D.S., and then on the basis of a comprehensive all India Consumer and F.P.S. Survey.

The purpose of our exercise is not to underplay the achievements of the P.D.S., which has come to stay as an integral part of the food economy for over two decades.

One major achievement of the P.D.S. has been the acquisition by the state of a capability to intervene effectively in the wholesale and retail trade of essential commodities. At the level of the Central Government as well as at the level of the states, many departmental and non-departmental trading organisations have come up. They have the infrastructure and wherewithal for all the trading operations, procurement, storage, transport and organisation of retail sale in our remote and farflung rural and urban areas. With respect to certain commodities like kerosene, the entire trade is practically in the public sector. As a result of the administrative-organisational network set up under the P.D.S., there exists in the country today a capacity to make any commodity, whether it is domestically produced or it is imported, reach almost the entire population.

In fact, it is under the P.D.S. that an overwhelmingly large proportion of the population has been supplied with ration cards. The ration card is not only the gateway to access for essential supplies under the P.D.S., but in many cases the only legal document available with a household regarding the size of the family, its membership and proof of residence at a particular place. In periods of acute shortages, it is through the P.D.S. channels that the supplies of essential commodities have been maintained, preventing large-scale starvation, like those which the country had experienced in the period preceding the setting up of the P.D.S. As an instrument of public policy and planning, there cannot be two opinions regarding the significance of the extensive infrastructure built up under the P.D.S. Even when we bring out the limitations and shortcomings of the P.D.S. As it operates in different parts of the country, it is not at all our intention to belittle the achievements of the P.D.S. If an incentive price policy has been an important part of our strategy of agricultural development, it is obvious that the P.D.S. has been a necessary complement for giving effect to this policy. If we have been able to combine various programmes for employment generation with a policy of making a part of the payment of wages in kind, particularly in the form of essential cereals i.e., we have been able to implement a large-scale food for work programme, it has been because of a fairly impressive scale of the P.D.S. operations. In fact, if today one can think of introducing a target group orientation under the P.D.S. so that it becomes an effective supplement for the anti-poverty programmes, it is because of the achievements of the P.D.S. in terms of setting up an All-India net work of distribution channels and because of the fact that it is already handling

a fairly large part of the marketed surplus of important cereals like wheat and rice. It is the intention of our study that, as a result of the review of the experience of some aspects of the P.D.S., some of its known and observed shortcomings may be reduced and the effectiveness of the P.D.S. in meeting its challenging tasks enhanced.

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PDS IN INDIA : A MACRO ANALYSIS

KAMAL NAYAN KABRA  
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PDS IN INDIA : A MACRO ANALYSIS

Kamal Nayan Kabra

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An effective PDS requires fulfilment of certain conditions regarding the size of total supplies under the PDS, commodities to be included under it and an 'appropriate', non-arbitrary distribution of these rationed commodities among various regions and sections of society. On the basis of an analysis of all-India and state level data concerning PDS, it is possible to examine the extent to which these pre-conditions, as discussed in the previous chapter on 'The Issues', have been met and their impact on the coverage and effectiveness of PDS.

In what follows, we discuss PDS offtake and other related statistics for the country as a whole and for the states, generally for the period 1977 to 1983, though in some cases we go back to earlier years as well, in order to examine long-term trends. Section I deals with the all-India profile of PDS, followed by section II devoted to inter-state comparisons. In the last section we attempt an overall summing-up of the performance of PDS in providing food security in the face of recurring shortages and steadily rising prices. We attempt to point out the factors which prevent the PDS offtake from picking-up; a paradoxical phenomenon against the background of the undoubted need for a large and growing PDS.

I

The PDS can be regarded as one important stable element of India's food policy since the early 1950's. Fairly large quantities of cereals, mainly rice and wheat, have been distributed at fixed prices through a net-work of Fair Price Shops (FPS) to ration card-holders. Till about 1963 the quantities distributed through FPS were less than one-tenth of net-production (See Table I)\*. During this period annual food imports were of the order of about 3 to 5 million tonnes, while internal procurement was relatively lower. It rarely exceeded imports and till 1963 generally ranged between 5 to 7 lakhs tonnes per annum. It is after the mid 1960's that PDS operations approximated and even exceeded the 10 million tonnes level (like in 1966).

After the mid 1960's PDS offtake started exceeding 14 percent of net production and in years like 1966 and 1967 ranged between over one-fifth to over one-fourth of net-production. In 1966 and 1967, PDS offtake was over one-fifth of the net-availability of foodgrains in the country. Up to 1967 net imports on public account amounted to over three fourth of PDS offtake. If we consider the stock of cereals maintained by the Government agencies, it was generally in excess of 2.2 million tonnes, going up to 2.8 million tonnes in 1960 and coming down to one

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\* All the tables related to the discussions in this Chapter can be seen at the end of this chapter pp.



million tonnes in 1964. Even in severe drought years like 1966 and 1967, closing stock with the Government was of the magnitude of about 2.2 and 2 million tonnes respectively.

Compared to trends during 1960's, during 1970's PDS offtake generally exceeded 10 million tonnes and came to almost 15 million tonnes in 1980. However, as a proportion of food production and net availability of cereals, PDS supplies generally ranged between 10 to 14 percent during the 1970's. During 1980, PDS supplies were almost 17 percent of net production and about 16 percent of net-availability.

During the earlier part of the 1980's PDS supplies continue to fluctuate around 14 million tonnes (Table II). During 1970's and earliest years of the 1980's internal procurement became the main source of feeding the PDS channels. In certain years PDS supplies or offtake failed to match national procurement. Moreover, net imports were also negative during certain years. (i.e. we made net exports of cereals during the years 1978 to 1980). In some years when we exported cereals, PDS offtake declined by about 13 percent in 1978, we also exported cereals in large quantities though the fall in offtake was greater than exports and net production too was at a much higher level.

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During this period PDS supplies constituted over 10 to 15 percent of net-availability of cereals in the country. This was also a period, when starting from the year 1976 with its record level of almost 19 million tonnes of closing stocks, the stock level exceeded 17 million tonnes during 1977 to 1979. This came down to over 11 million tonnes during 1980-82 and again exceeded 15 million tonnes small margin in 1980 and 1981. However, in the next two year, the former fell short of the latter. Thus we find that offtake was not always constrained by overall availability of cereals to public agencies. Owing to relatively low offtake, closing stocks exceeded offtake in 1983. While 1976 closing stocks were 206 percent of PDS offtake, they ranged between 148 to 168 percent during 1977 to 1979. With PDS picking-up in the early 1980's closing stock came down to four-fifth of PDS offtake but in 1983 exceeded offtake by a small margin.

In terms of rate of growth of PDS offtake the performance during the period 1952 to 1983 can be considered fairly impressive. Annual average rate of growth of offtake during this entire period was 5.75 percent, while the compound growth was not steady and consistent during the entire period. During the period 1952 to 1967, average annual growth rate of PDS offtake was only a little short of 10 percent while the compound growth rate

was 4.2 percent. In spite of 1967 being a year of very high offtake at over 13 million tonnes, the average annual rate of growth during 1967 to 1983 came to only 1.5 percent. In fact, after the peak of 1969, PDS offtake experienced a negative growth rate during 1967-76 with the last year showing the lowest offtake after 1971. After 1976, there was again a recovery in PDS offtake and average annual growth rate during 1977 to 1983 exceeded 8 percent and compound growth rate was about 3.2 percent.

In order to eliminate yearly fluctuations in PDS offtake, if we take three yearly average for the period of 1976 to 1978 and for the period of 1980 to 1982 (Table III), and find that the offtake level increased from 10.38 million tonnes to 14.05 million tonnes over this period and then came down to 12.95 million tonnes during 1981 to 1983.

Thus at an aggregate level one finds that the proportion of fixed price, publically supplied cereals in overall supply and its growth have been fairly impressive. During the recent years over 14 percent of net production and almost a matching level of net availability have been moving through the PDS. It can thus be seen that over 85 percent of net-production and availability has either been supplied through private trade channels or by means of self-provisioning by the growers. It is obvious that PDS supplies constitute

a relatively larger proportion of the quantities of the cereals which move through the market mechanism, than of total output since a fairly good part of cereals output is used for self provisioning. Depending on the estimate of marketed proportion of cereal supplies, the share of PDS offtake as a proportion of the demand for cereals which is met through market institutions goes up.

The growth record of PDS is not steady. There have been considerable fluctuations from year to year, though the trend has unmistakably been one of increase. One can see that after the peak-level of 1966, there was a constant decline of PDS offtake up to the year 1971. The annual decline has been fairly sizable ranging between 6 to 22 percent (Table II). Similarly, annual increases too have been sizeable. In 1972 there was a considerable pick-up, with an increase of about 34 percent over the preceding year. But again there were reductions in offtake levels in the years 1974, 1976, 1978 and 1981. The fall in offtake during these years has been considerable. Fluctuation in offtake has also been considerable as can be seen from the standard deviations estimated for the period. (Table II). We see that compared to the earlier years, standard deviation was lower in the latter years. However, the fluctuation has been large enough to bring about a weakening of the sense of steady availability of PDS supplies. For a regular system of fixed-price, state-



supplied essential cereals, it is very important that the public supply channels maintain a certain constant and assured availability. This is essential from the point of view of FPS dealers as well.

Since the country has various regions with strong preference for wheat or rice or coarse grains, it follows that for emergence of PDS channels as a regular source for meeting the needs of people, a fairly steady commodity composition of cereals supplied under PDS is also essential. We find that there were considerable fluctuations in the relative share of wheat and rice (particularly marked for wheat) in PDS offtake (Table IV). Coarse grains have all along been rather insignificant; only in 1977 and 1982 coarse grains constituted a little more than 6 percent of total PDS offtake. While in 1978 no coarse grains was supplied and during 1980 less than 1 percent was supplied through PDS, in the years 1979 and 1981 they constituted a little over 1 percent, and during 1983 almost a percent of total offtake. Generally speaking, wheat has been the main component of PDS supplies, while it happens to be a staple food for a relatively smaller part of the population compared to those who have rice as their staple diet. While the share of wheat in total cereals offtake fluctuated between 43 to 67 percent with annual variations of very significant order, in the years 1981 and 1982, the relative shares of wheat and rice nearly matched

each other. The fluctuations in the share of rice have also been quite extensive, ranging between about 32 to nearly 51 percent.

The overall significance of PDS can be appreciated better when viewed in terms of the number of FPS shops which have been opened throughout the length and breadth of the country. With their total approaching nearly 3 lakhs and their coverage becoming almost identical with the total population of the country, PDS can be said to have become an all-India affair (Table V). Even when the rural and urban FPS are taken separately into account (with the former accounting for about three-fourth of the total) the PDS net work appears to be significant.

The number of FPS has gone up from 2.38 lakhs in 1977 to over 2.84 lakhs in 1983, which was more or less the number in 1980. In 1980, a big increase in FPS came about with opening of 40 thousand new shops. However, Madhya Pradesh, Manipur, Orissa, Punjab, Rajasthan etc. shared most of the increase. In Uttar Pradesh, there was an over 61 percent decrease in the number of FPS during 1980, followed by a near doubling in 1981. In any case, the number of shops was at its highest in 1979 in Uttar Pradesh and till date falls short of that level. During 1981 and 1982 number of FPS came down but picked up again to be slightly in excess of the number which existed in 1980. It may be recalled that as a part of the new

20 point programme, the PDS was sought to be strengthened by means of opening more FPS (vide point 17). The general approach has been one of providing one FPS for every 2000 persons and locating them in such a manner that generally no one would have to travel more than 5 kms. In order to buy PDS supplies. Overall it can be said that a widespread network of FPS has come into existence, though their fluctuating number may well be producing unsettling effect on PDS supplies to consumers.

The FPS is the point at which the consumer obtains his PDS supplies. Without an appropriate number and location of FPS, the real cost of obtaining PDS supplies would go up. This may offset the price difference between PDS and open market. But opening of FPS by itself cannot ensure that PDS is meeting its objectives. Among the many important conditions needed in order to ensure that PDS supplies reach the intended consumers, one important condition is that there has to be a certain correlation between the number of FPS and total PDS offtake ensuring that each FPS has a level of turn-over capable of meeting the needs of consumers attached to the shop and thus enabling the FPS dealer to earn his due commission. The inter-state distribution of FPS and offtake is shown in Table VI. It can be seen that the two are not commensurate with each other in most of the states. This may weaken the viability of FPS in a number of states.

Similarly, if we look at per FPS offtake we find that the turn-over level is not capable of making the FPS cross the viability threshold in most of the states. (Table VII A.) Daily total offtake of wheat, rice and sugar comes to about 193 kgms per shop for the country as a whole and is as low as 119 kgms for Madhya Pradesh and 133 kgms for Gujarat. It is comparatively high in Delhi at over 9 quintals and for West Bengal at over 5 quintals. It appears that relatively greater emphasis has been laid on opening many more FPS than on ensuring that they are fully or adequately stocked, let alone the question of uninterrupted, round-the-year availability of FPS goods.

Thus, in terms of offtake, number of FPS storage, procurement and gross turnover of supplied commodities we can reasonably speak of a large and impressive presence of the states agencies in food trade, distributing essential goods throughout the country to a really large number of people. Each day millions of men, women and children's queue-up in front of nearly 3 lakhs FPS in thousands of rural and urban centres. They not only hope to get cereals but also sugar, edible oils and in some states, also a number of other essential commodities like coarse grains, Kerosene oil, controlled cloth, match boxes, school stationery and baby foods.



From the foregoing, it emerges that PDS supplies are fluctuating around 15 percent of net production. Its commodity composition too has been unstable<sup>as</sup> between wheat and rice. Coarse grains have been too meagre a part to be meaningful to the PDS. A large but unsteady number of FTS with inadequate turn-over which consequently affects viability, further degress the utility of the PDS. It also appears that the level of PDS supplies is not always constrained by overall availability of cereals to public agencies. However, the size of procurement and extent of depletion of buffer stocks during any particular year, place an overall supply side constraint on the extension of the PDS. If effective PDS supplies have to cover a certain size of the population, with a view to provide them with price-protected supplies, and to divert a better part of their demand for cereals away from an inflationary open market, one has to work-out the required level of procurement and running down of stocks with public agencies. In a given year, procurement has to provide buffer-stocks for stabilisation purposes and operational stocks for meeting the needs of PDS. If existing stocks with the FCI are in excess of bufferstocks requirements, a part of the PDS needs can be met by running down the existing stocks and the rest has to be met through procurement. If this is not so, procurement would have to replenish the inventory of cereals for an adequate bufferstock, as well as provide PDS supplies.

Table VIIb shows that actual offtake during 1977-1983 was, except for the year 1980, consistently lower than the potential supply (annual procurement plus operational stocks) available for purposes of distribution through PDS. This is based on the assumption that 10 million tonnes of wheat and rice provide an adequate buffer stock and the stocks in excess of this level are operational stocks. It can also be seen that the gap between actual offtake and potentially available supply has been increasing since 1980. This situation of an involuntary food surplus may reflect both an inadequacy of purchasing power in the hands of our poorer sections suffering from malnutrition and also the weaknesses in the design of the PDS.

We have calculated the possible coverage that can be achieved on the basis of available total supplies of cereals at actual levels of procurement and operational stocks for the period 1977 to 1980. Furthermore we have tried to estimate alternative extents of coverage possible, on the basis of a norm level of ration-scale as well as on the basis of the minimum, maximum and average scales operating in 19 states and union territories. On the basis of the minimum ration scale as found in a certain state (which is a little more than 40 percent of the minimum nutritional requirements of cereals for an average adult), we find that during the period under reference PDS potential supplies

could not have served more than 44 percent of the population, with yearly coverage ranging between 32 to about 49 percent of the population. If a ration scale that fulfills the nutritional norm is considered, then the coverage could have been extended to about 18 percent of the population. Only with the maximum scale, as found in a certain state the coverage would come to about 11 percent of the country's population. As the average ration scale for these states is about half of the maximum scale, the coverage on the basis of the average scale, comes to about 22 percent. All these figures clearly bring out that with scales of different magnitudes, the coverage of PDS could have been anything from 11 to 44 percent. In reality, the coverage was even lower than this as actual average offtake fell short of the potential supply at realised procurement levels. The policy for PDS in the country was determined in such a manner that it gave access to at least twice the number of people who could have been normally served with the supplies available. It may be that the policy of giving entitlement to such a large number without mobilising commensurate supplies compromised the credibility of PDS and made the system disfunctional. This lack of credibility may have also contributed to non-utilisation even of the available supplies, giving a shortfall, (on the average for the entire period) of about 26 percent of the potential supply.

## II

The irregular and fluctuating nature of PDS offtake and its unsteady commodity-composition along with unsteady number of F&S, detract from the significance of PDS which emerges from its aggregate size. Similarly, regional concentration of offtake and F&S in a handful of states reduces the value of such a widespread PDS. In 1980 it was seen that West Bengal, Tamil Nadu, Maharashtra, Kerala, Andhra Pradesh and Uttar Pradesh accounted for about 63 percent of total offtake of cereals. (Table III). Similar state-wise concentration can also be seen for rice, wheat and coarse grains separately (Table IX, X and XI). These figures do not clearly bring out the spatial concentration of PDS offtake because they do not take into account the proportion of population accounted for by these states.

Taking annual average per-capita offtake of cereals for the year 1977 to 1983, we find that All-India average annual offtake for these seven years comes to 18.78 kg. (Table XII). It means that daily PDS supply per person is only about 51.5 grams which is about one eighth of the minimum nutritional requirement of cereals and is, as we see later on, only a small fraction of the permitted ration scale. For some of the most populous states of the country like Uttar Pradesh, Bihar, Gujarat, Madhya Pradesh, Rajasthan, Andhra Pradesh,



Haryana and Punjab the annual average per-capita offtake was less than the national average. For states like Rajasthan, Uttar Pradesh, Madhya Pradesh, Gujarat and Bihar, per-capita daily supply through PDS comes to about 28 grams only. In fact, it is only Kerala, West Bengal and Jammu & Kashmir which have significantly high per-capita average annual offtake ranging between 42 to 48 kgs. Table XIII shows the ranking of 29 states and Union Territories on the basis of seven yearly average offtake of cereals from PDS sources. We find that 11 states figure below the national average which is itself rather low. These states where P.D.S. operations are at a low key include some of the biggest and most backward states like Rajasthan, Bihar Madhya Pradesh, Uttar Pradesh, Andhra Pradesh etc.

While for the state of West Bengal annual per-capita offtake is about 41.4 kg., we find that it is lower (about 30.15 kg) for modified rationing areas which accounts for 70 percent of its total population. On the other hand, 30 percent of West Bengal population in the cities of Calcutta, Durgapur and Asansol are covered by statutory rationing and obtain 99.14 kg. cereals per-capita annually. (Table XIV). Though in a comparative national perspective, per-capita rationed cereal availability in West Bengal is impressive, it tells adversely on the statutory nature of rationing in this area (as against informal rationing in the rest of the country) as the P.D.S. here is supposed to be

the sole source for meeting the cereal needs of the people.

For states like Karnataka, Tamil Nadu, Maharashtra, Andhra Pradesh, the annual average per-capita offtake is only marginally higher than the national average ranging between 19 kgs. to 26.7 kgs. It is only Union territories and the smaller states of North Eastern India which have per-capita annual offtake significantly higher than the national average, with Delhi having almost 120 kgs., followed by Lakshadweep, Sikkim, Andaman & Nicobar and Mizoram ranging between 88 to 111.5 kgs. It is true that since we have a dual market for cereals, PDS supplies cannot be expected to meet the entire demand or even the needs for cereals. However, the relative size of the two is important, particularly in view of the stated aim of PDS i.e., protecting the essential cereal consumption needs of the poor masses.

When we compare the share of different states in total offtake with their respective shares in total population, we can again see that PDS appears to be a significant phenomenon only in a few states, mainly the deficit ones. (Table XV). Taking the offtake figures for 1981 to 1983 and defining states as deficit or surplus on the basis of comparing their average food production for 1979 to 1982 with their total cereal's requirement on the basis of a norm level of consumption (of 403 grams of cereals per person per day) we find that 11 states and Union territories accounting for 52.3 per cent of the population take about two-third of the

total PDS offtake while the surplus states accounting for 46.8 percent of population consume about 30 percent of PDS supplies (Table XV). It is clear that in a large part of the country, PDS supplies form a token part of the cereal consumption of the people. However, it would be incorrect to consider PDS relevant for the deficit states alone.

Since PDS operates through FPS in order to make cheaper cereals available, it would be interesting to examine the comparative position of states in terms of the total number of FPS, and total offtake. We see (Table VI) that it is in Jammu & Kashmir, Kerala, West Bengal, Maharashtra, Delhi and some other union territories that the states' share in total offtake exceeds their share in the total number of FPS. We have seen earlier that it is these states (except Maharashtra) in which per-capita offtake is much better than the national average. On the other hand, despite a larger share of FPS, states like Andhra-Pradesh, Assam, Bihar, Madhya Pradesh, Orissa, Rajasthan, Tamil Nadu have a lower share of offtake. It can thus be inferred that a relatively larger number of shops cannot by themselves ensure that offtake improves. It can also be seen that even with a relatively small number of FPS, it may be possible to distribute a respectable quantity of PDS supplies. Thus emphasis on starting more FPS by itself cannot lead to strengthening of PDS. However these figures should be interpreted with caution keeping in mind the density of population in different regions.

The inadequate, almost notional, presence of PDS in a large number of areas can be seen from many different facts. According to Dagli Committee Report on Controls and Subsidies, 67.71 percent of the offtake was confined to urban areas in 1977 while the data for rural/urban distribution of PDS show that about three-fourth of such shops are in rural areas. It means that the rural shops distribute rather small quantities and a larger share of offtake in different states (which we have seen above) goes to their urban areas.

The urban orientation of the PDS can also be seen from another set of data which show that generally it is the metropolitan areas and districts with large million-plus cities which account for a better part of PDS offtake. (Table XVI). We see that in Karnataka, Orissa and Maharashtra, the urban districts of Bangalore, Cuttack Puri and Bombay take a good share of PDS supplies. We have seen in Table XIV the share of Calcutta, Durgapur and Asansol in West Bengal's total offtake. Similarly, Delhi which accounts for less than one percent of nation's population consumes about 6 percent of PDS supplies.

It is certainly true that urban areas are nearly entirely market-dependent for obtaining their supplies of cereals. However, everyone in urban areas does not become equally worse-off as a result of inflation. Then the number of people who are poor and become relatively worse-off



through inflation in rural areas are many more than in urban areas. Large number of landless farm-workers, non-owning cultivators, artisans and people engaged in certain services in rural areas become worse off as a result of inflation. Relatively larger PDS supplies in urban areas, given the overall small size of PDS supplies in relation to entitlements make for poorer coverage in rural areas.

PDS in India has been treated as a supplementary source of supply of essential commodities like cereals for almost the entire population. But adequate supplies for this purpose are not made available to PDS channels. This is a conclusion which seems to emerge from many of the facts we have highlighted in the preceding section. A simple exercise of comparing the ration (or PDS supply) scales fixed in various states and per-capita actual offtake again bring out the inadequacy of overall PDS supplied to meet its avowed objective (Table XVII). In order to simplify the exercise we have compared the ration scales applicable to urban areas (wherever such differences exist and which are generally higher than the ones applicable to rural areas) with the per-capita actual offtake in various states.

We find that actual offtake is generally substantially less than the prescribed ration-scale in every state. Actual offtake as percent of ration-scale is a little over 3.3 percent in Rajasthan, ranges between 4.2 percent to 5.23

percent for Uttar Pradesh, Madhya Pradesh lies between 7 to 9 percent for Gujarat and Haryana. For Punjab, Andhra Pradesh, Maharashtra, Karnataka, Himachal Pradesh and Bihar, it ranges between 10 to 20 percent. For Assam and Orissa it is about 25 percent of the ration-scale, about 35 percent for Kerala, and is about 50 percent for Delhi and Jammu & Kashmir. The highest figures between 60 to 80 percent are seen for West Bengal and Tripura.

Further, evidence on the significance of PDS as a source for supplying cereals to the people can be seen by comparing the share of PDS supplies in the consumption basket of cereals for some select expenditure classes. A comparison of per-capita cereals offtake with the average annual quantity of rice wheat purchased by the expenditure class below Rs. 75 per month (NSS 28th round) shows that during the period 1977 to 1981, the share of the former in the latter ranged between 12.8 to 19.2 percent (Table XVIII). It is clear that even for the poor masses, PDS supplied a very small part, ranging between one-eighth to one-fifth of their consumption of rice and wheat.

Another way of judging the overall capacity of PDS in meeting the cereal requirements of the population can possibly be by working out the notional number of beneficiaries of PDS. Given the total cereal offtake and assuming that the card-holders draw their full cereal ration

entitlement we work out the number of potential beneficiaries in states and U.Ts. for the years 1981 to 1983. (Table XIX). We find that in states like Andhra Pradesh, Gujarat, Himachal Pradesh, Punjab, Bihar, Maharashtra the notional beneficiaries ranged between 10 to 16 percent of their population. In States like, Karnataka, Rajasthan, Tamil Nadu, Haryana, Uttar Pradesh, Madhya Pradesh the range was between 4 to 8 percent.

Then, Assam, Kerala, statutory rationing areas of West Bengal and Orissa fall in a category with 23 to 31 percent of their population being capable of benefitting at their existing level of supplies. The present level of PDS supplies in Delhi and Jammu & Kashmir can serve about half their population with their present ration-scales. It is clear that the present levels of offtake are inadequate to enable a large majority to derive the benefits of PDS supplies.

In working out the notional number of beneficiaries we have assumed that each card holder draws his or her full quota of ration. This assumption we feel is justified given the fact that ration scales are generally not excessive in relation to needs and it is reasonably safe to assume that a significant proportion of people who avail ration facilities would normally buy their full entitlements. In states providing liberal ration scales the poor may at times not be able to buy his entire entitlement for lack of funds. This is how nutritional deficiencies and latent hunger come to persist in poor countries like India,

despite arrangements like public distribution of essential commodities. To the extent P.D.S. entitlements are not fully drawn by a certain fraction of card holders a larger number could possibly be benefitted, (only under further assumptions of no diversions to the black market or other unauthorised sale to bulk buyers.) In any case <sup>our</sup> exercise seems to succeed in bringing out the limitations of the present P.D.S. in so far as it attempts to grant access to a number much larger than can be satisfied on the basis of supplies mobilised for the purpose.

### III

It is clear that for a large part of the country PDS offtake is hardly adequate to meet the needs of a significant part of the population, not even of the identified 'poor'. The policy of combining such small supply levels with almost universal coverage leaves the determination of the actual beneficiaries of PDS (i.e. those who are able to obtain PDS supplies) to a variety of market, administrative and inter-personal and social factors. None of these factors can be expected to provide better access to P.D.S. supplies to the poorer sections except probably relatively poor quality of PDS grains, which make the better off sections voluntarily opt out of the PDS



PDS cereals, save probably for their servants. This situation enhances the subjective discretion of the PDS dealer to pick and choose the real beneficiaries of PDS, particularly with a view to drive away those who may be interested in PDS supplies and divert the quantities thus remaining unsold to more lucrative channels.

The inadequate and fluctuating level of PDS supplies, especially against the back-ground of almost universal coverage sought and claimed to be operationalised, was seen to prevent PDS from becoming an effective and meaningful supplementary source of supply to either market supplies or self-provisioning for a majority of the population. The commodity composition of PDS which gives hardly any place to coarse grains (superior in nutrition) and widely fluctuating availabilities of rice and wheat (particularly against the background of strong regional food habits) also tends to prevent people from treating PDS as a stable and reliable source of fixed-price supply. We shall see later on that a large number of factors related to PDS, their number, location, periodicity of permitted purchase, behaviour of the dealer, irregularity of shop's working hours, long queue's, unsatisfactory quality and fear of incorrect weighing, etc., further erode the utility and credibility of PDS as an alternative to either markets or self-provisioning. These factors introduce a certain

element of uncertainty about the level of PDS offtake, particularly as a regular source of supply spread evenly throughout the year and over the years.

The availability of comfortable level of stocks with the FCI and State Government Agencies (except in states which have relatively low accessibility and suffer on account of transport bottlenecks, e.g. the states of North East India) are instrumental in ensuring round the year stable level of supplies through PDS. However, this assurance does not seem to get translated into reality on account of a variety of factors for many states. This can be seen in terms of seasonal intra-year pattern of PDS offtake in various States. All - India figures of month-wise offtake show relatively greater stability than state level disaggregated figures because in the former figures, interstate variations to a certain extent tend to offset each other.

A look at the monthly pattern of offtake of wheat and rice for the years 1980 to 1983 shows marked seasonal fluctuations with respect to wheat in Uttar Pradesh, Haryana, Himachal Pradesh, Punjab, Rajasthan, Madhya Pradesh and Bihar (Table XX and XXI). Similar trends with respect to rice can be seen for Orissa, Uttar Pradesh and Madhya Pradesh. These are the states which do not distribute a respectable quantity of cereals through PDS and also show a lot of seasonal up and downs over various months. The states which supply fairly good quantities of cereals

through PDS also have nearly steady supplies throughout the year. Peak offtake of wheat is seen in the states with fluctuating monthly pattern of offtake in three months just preceding the flush season of wheat arrivals. Similarly troughs in these states are seen in June, July, August and to some extent in October - November as well.

In Uttar Pradesh and Madhya Pradesh, rice offtake is relatively high in February and March, while Orissa shows heavier offtake during July-September. As for trough in rice offtake, we find that all the three states have relatively poor offtake during October-January. It can thus be seen that in addition to small quantities which are distributed in a number of states through PDS and sharp variations in the amounts distributed from year to year, there are, additionally, month to month fluctuations in PDS offtake. This adds to the irregularity of PDS supplies and makes PDS a not very dependable source for supplementing market and self-provisioned supplies. Irrespective of the factors which make for such a seasonal pattern of offtake in some of the states, it erodes the utility and credibility of PDS in providing food security to the vulnerable sections.

Over the last few years it appears that offtake from PDS channels has reached a plateau. Closing-stocks with public agencies have been growing almost involuntarily.

Then we find a few years in which the offtake has been less than the annual internal procurement and for some years the two are almost matching each other. This can be taken to indicate that the PDS offtake has not been picking-up. This seems to be paradoxical in view of the known size of food and nutritional deficiency in the country, (popularly represented in the form of the proportion of population below poverty line), rising prices of cereals as well as in view of very inadequate per-capita offtake in almost all the populous states which can also be considered extensive poverty-concentration areas. But poor offtake may partly be attributed to poverty itself.

Near stagnation in the growth of PDS amounts to restricting its benefits. One may wonder as to why this is so. The forgoing analysis indicated that there is very little assurance of the availability of PDS as an alternative cheaper and better source of supply. The size, composition of supplies, ration-scales, etc. limit the total number of beneficiaries of PDS to a small proportion of those who stand in need of it. A large number of other factors like the poor quality of grains and service by FFS, irregularity of stock availability and shop-opening, losses due to underweighting, time spent in making purchases from the FFS, are wellknown factors making FFS notoriously unpopular.

In our discussion on the administrative and organisational aspects of PDS we will examine these factors in detail.



Despite these adverse factors, a sufficient degree of price advantage offered by PDS should strengthen the utilisation of PDS facilities. There are some indications to suggest that the price advantage offered by PDS supplies may be weakened by some factors operating in the food system of India. For one thing, wheat and rice have many substitutes popular in different parts of the country. Coarse grains like jowar, bajara, milletes, ragi and other foods like tapioca, potato, etc. have a fairly good degree of acceptability in many parts of the country, particularly from among the weaker sections. The price advantage of PDS wheat and rice over market wheat and rice (by no means universal, as data from Madhya Pradesh given in Table XXII indicate) may fail to produce demand for the former when the consumers make a cross comparison between the prices of coarse grains and other foods on the one hand and PDS wheat and rice on the other. Only when the PDS covers these other grains and foods and supplies them with a price advantage vis-a-vis the market, would the consumers tend to buy PDS quantities. As we shall see, PDS prices of wheat and rice are also unnecessarily and unjustifiable padded by many state government by including large overheads of multiple handling and some taxes paradoxically on subsidised commodities. Then, as the data from Madhya -

Pradesh about open market wheat prices indicated, the some states, over certain periods of time, the procurement prices do not succeed in becoming floor prices. This may result in open market prices coming on pare with PDS prices or even going below the latter. None of these factors detract from the need for instituting an effective, country-wide PDS with a round theyear availability

TABLE I

## PDS OFFTAKE AND SOME RELATED AGGREGATES

Sl. No.	Year	Net produc- tion of ce- reals. (Rice+Wheat +O.Grains) (Agricultural year)	Net impor- ts of ce- reals	Closing stock with	Net availa- bility of cereals.(in '000 tonnes)	Internal Procure ment.
		1	2	3	4	5
1.	1960	57096	5127	2801	60820	1275
2.	1961	60393	3493	2636	64559	541
3.	1962	61851	3639	2281	65845	479
4.	1963	60190	4551	2259	64763	750
5.	1964	61788	6263	1016	69294	1430
6.	1965	67335	7447	2071	73719	4031
7.	1966	54603	10336	2216	64802	4009
8.	1967	57643	3665	1956	66573	4462
9.	1968	72585	5687	3991	76233	6305
10.	1969	73145	3846	4453	76529	6381
11.	1970	76834	3579	5569	79297	6714
12.	1971	84528	2207	8137	83987	8357
13.	1972	52315	(-)495	3443	36518	7665
14.	1973	76230	3590	3134	80129	8424
15.	1974	82825	5155	2730	83384	5645
16.	1975	78586	7536	8289	80563	9563
17.	1976	94496	664	13964	84417	12853
18.	1977	87330	76	17346	89032	9974
19.	1978	100130	(-)816	17160	99560	11098
20.	1979	104754	(-)327	17519	104038	13837
21.	1980	88488	(-)475	11739	93793	11171
22.	1981	104092	523	11498	104356	12975
23.	1982*	106564	1530	12766	106876	15352
24.	1983*	102183	4069	15391	103627	15616

Note:- (1) Cereals includes Rice, Wheat and coarsegrains (Jawa, Bajra and Ragi).  
 Figures for 1982 and 1983 are provisional net production, net imports,  
 internal procurements. \*Figures for offtake 1982 and 1983 supplied by  
 Food and Civil Supplies control room, Government of India, New Delhi.  
 Bulletin on food statistics 1982-84 p.p. 75 and 138. Department  
 of Agriculture and Co-operation, Government of India, New Delhi.

Source:

TABLE I (CONTINUED)

S. No.	Year	6 Offtake of Cereals	7 Offtake as percentage of net pro- duction	8 Net imports as percent- age of offtake	9 Closing stock as % of offtake	10 PDS off- take as percenta- ge of net availabili- ty	11 Procurement as percent- age of off- take
1.	1960	4937	8.65	103.85	56.7	8.12	56.7
2.	1961	4977	6.53	87.33	71.31	6.16	13.60
3.	1962	4365	7.06	83.37	52.26	6.63	10.79
4.	1963	5178	8.60	87.89	43.63	8.00	14.43
5.	1964	8665	14.02	72.28	11.73	12.50	16.50
6.	1965	10079	14.97	73.39	20.63	13.67	39.99
7.	1966	14085	25.80	73.38	15.73	21.74	28.46
8.	1967	13166	22.84	65.31	14.86	19.78	33.89
9.	1968	10221	14.08	55.64	39.05	13.41	66.57
10.	1969	9385	12.83	40.98	47.45	12.26	67.99
11.	1970	8841	11.51	40.48	62.99	11.15	75.94
12.	1971	7816	9.25	23.24	104.11	9.31	113.32
13.	1972	10487+909	12.74	(-)4.68	32.83	12.12	73.09
14.	1973	11414	14.97	31.45	27.46	14.24	73.80
15.	1974	10790	13.03	47.73	25.30	12.21	52.32
16.	1975	11253	14.32	66.97	73.66	13.97	84.98
17.	1976	9174	9.74	7.24	206.71	10.87	140.10
18.	1977	11729	13.43	0.65	147.89	13.17	85.04
19.	1978	10183	10.17	(-)8.01	168.52	10.23	108.99
20.	1979	11663	11.13	(-)2.80	150.21	11.21	118.64
21.	1980	14993	16.94	(-)3.17	73.30	15.99	93.15
22.	1981	13014	12.50	4.02	83.35	12.41	99.70
23.	1982	14420*	13.53	10.96	88.53	13.49	106.46
24.	1983	14613*	14.30	27.85	105.32	14.10	107.60

Note: - (2) + Export to Bangladesh.

(3) Only provisional figures are available for net imports-net availability-net production and internal procurement.

Net production of cereals: Agricultural Year (June-July)

\* Provisional.



TABLE II

TOTAL PUBLIC DISTRIBUTION OF CEREALS IN INDIA (CALENDAR YEAR)  
1952 to 1983 (Thousand Tonnes)

Sl. No.	Year	Offtake of cereals	Percentage change in offtake	S	Average annual growth
1.	1952	6800	(-)	(a) Average Annual growth rate from 1952 to 1983 compound growth rate	5.75%
2.	1953	4593	(-)		2.42%
3.	1954	2154	(-)		
4.	1955	1636	(-)	(b) Average Annual growth rate from 1952 to 1967 Compound growth rate	9.73%
5.	1956	2082			4.22%
6.	1957	3050			
7.	1958	3980			
8.	1959	5164		(c) Average growth rate from 1967 to 1983 Compound growth rate	1.50%
9.	1960	4937	(-)		0.74%
10.	1961	3977	(-)		
11.	1962	4365		(d) Average growth rate from 1977 to 1983 Compound growth rate	8.09%
12.	1963	5178			3.19%
13.	1964	8665			
14.	1965	10079			
15.	1966	14085			
16.	1967	13136	(-)		
17.	1968	10225	(-)		
18.	1969	9385	(-)		
19.	1970	3841	(-)		
20.	1971	7816	(-)		
21.	1972	1048+9090			
22.	1973	11414			
23.	1974	10790	(-)		
24.	1975	11253	(-)		
25.	1976	9174	(-)		
26.	1977	11729	(-)		
27.	1978	10183	(-)		
28.	1979	11663	(-)		
29.	1980	14993	(-)		
30.	1981	13014			
31.	1982	14420*			
32.	1983	14613			

Source:- Bullentin on Food Statistics  
1982-84 p.p. 75

C;- Export to Bangladesh

\* Offtake figures for 1982-1983  
Supplied by Civil Supplies  
Control Room, New Delhi

TABLE III

THREE YEARLY AVERAGE TOTAL PDS OFFTAKE OF CEREALS  
(STATEWISE) (THOUSAND TONNES) (AND ALL INDIA)

States	1970-72	1971-73	1972-74	1973-75	1974-76	1975-77
Andhra Pradesh	292.34	343.67	374.00	369.34	321.33	313.33
Assam	308.66	272.66	255.33	336.33	338.66	467.66
Bihar	696.33	529.00	513.33	487.66	432.33	463.00
Gujarat	349.00	403.00	620.66	755.66	552.66	422.00
Haryana	95.33	102.66	141.33	135.33	93.33	92.66
Himachal Pradesh	7.66	10.00	23.33	29.66	31.66	63.00
Jammu & Kashmir	300.66	193.00	215.66	242.66	172.66	252.66
Karnataka	277.66	315.33	351.66	414.33	545.00	718.33
Kerala	949.66	976.33	1012.66	1032.33	1092.33	1236.33
Madhya Pradesh	191.66	252.66	293.66	318.66	259.66	286.66
Maharashtra	1507.33	1772.66	2020.00	2045.33	1774.66	115.00
Manipur	7.66	15.00	14.66	23.00	7.00	7.66
Meghalaya	23.00	26.00	41.33	44.33	65.33	63.66
Nagaland	15.66	19.33	22.33	24.33	21.00	21.00
O-issa	243.33	281.33	329.33	293.33	291.66	260.66
Punjab	221.33	243.33	253.33	181.33	141.00	158.33
Rajasthan	336.33	207.66	282.33	315.33	173.33	129.00
Sikkim	-	-	-	-	-	19.00
Tamil Nadu	502.33	424.66	404.33	652.66	832.66	937.66
Tri-pura	41.66	54.33	41.33	44.33	40.00	39.66
Uttar Pradesh	523.00	573.33	772.33	647.66	512.00	414.00
West Bengal	2106.67	2127.33	2267.33	2066.66	1955.33	1753.33
A & Nicobar Islands	9.66	11.33	12.33	13.00	14.66	14.66
Arunachal Pradesh	6.00	7.66	10.33	14.00	16.00	13.00
Chandigarh	6.00	4.33	2.66	2.33	-	6.00
Dadra & N. Hame	-	-	-	2.66	2.33	1.33
Delhi	279.33	342.33	441.66	488.66	486.00	516.00
Goa Daman Diu	31.66	40.00	59.33	64.33	64.33	66.33
Lakhdweep	3.66	4.00	4.00	4.66	4.66	4.66
Mizoram	-	-	-	-	-	23.33
Pondicherry	15.00	17.00	18.33	18.00	14.33	10.00
Defence Services	225.66	229.66	244.00	269.33	273.33	247.66
ALL INDIA	9048.00	9905.66	10879.00	11152.33	16405.67	10718.67

Source:- Based on Bulletin on Food Statistics, 1974 to 1981-82.

TABLE III

THREE YEARLY AVERAGE TOTAL PDS OFFTAKES OR CEREALS  
(in '000 tonnes)  
(ST. FIVE SE AND ALL INDIA)

States	1975-76	1977-78	1978-79	1979-80	1980-81	1981-82	1981-83
Andhra Pradesh	269.00	255.00	272.33	325.33	538.34	802.00	
Assam	458.55	504.00	520.00	558.66	552.34	550.34	
Bihar	469.33	531.66	685.00	700.00	765.00	715.00	
Gujarat	251.33	252.00	240.66	318.33	413.34	405.00	
Haryana	209.00	150.66	147.66	120.00	141.00	151.34	
Himachal Pradesh	116.33	150.66	147.66	120.00	33.00	75.00	
Jammu & Kashmir	235.00	224.33	248.33	261.00	291.00	283.34	
Karnataka	732.00	772.33	653.00	637.33	648.66	655.66	
Kerala	1202.33	1229.33	837.33	915.33	1127.34	1291.00	
Madhya Pradesh	256.33	303.66	758.00	948.33	706.34	477.00	
Maharashtra	1377.66	1226.00	1242.33	1431.66	1582.34	1537.34	
Manipur	7.00	11.33	17.66	21.66	38.67	47.34	
Meghalaya	63.33	73.66	73.66	75.00	80.00	88.67	
Nagaland	17.33	37.66	27.00	33.00	50.00	57.67	
Orissa	242.66	236.66	345.66	371.66	433.00	390.00	
Punjab	250.00	315.66	347.00	300.66	287.66	273.00	
Rajasthan	124.00	142.00	275.66	264.33	309.00	169.34	
Sikkim	22.00	24.66	27.33	30.00	35.00	33.34	
Tamil Nadu	776.33	744.33	670.33	852.33	1024.34	239.00	
Tripura	34.33	41.66	37.00	77.33	92.00	91.67	
Uttar Pradesh	555.00	843.66	1295.66	1192.00	1243.67	959.67	
West Bengal	1742.00	1339.00	1955.33	2091.00	2420.33	2561.00	
Andaman & Nicobar Island	15.33	15.00	15.66	17.00	18.67	13.67	
Arunachal Pradesh	18.66	19.66	19.66	22.00	26.67	31.67	
Chandigarh	16.00	39.66	27.66	25.33	25.00	21.67	
Dadra & N. Hame							
Delhi	553.33	591.33	667.66	747.66	845.67	834.00	
Goa Daman Diu	36.33	55.33	50.66	54.66	62.00	36.67	
Lakshadweep	4.00	4.00	4.00	4.00	4.33	5.00	
Mizoram	25.66	34.33	35.00	35.33	44.00	52.67	
Pondicherry	7.66	5.33	4.66	6.33	7.67	15.67	
Defence Services	214.33	181.00	176.33	185.33			
All India	10337.25	10830.57	11856.88	12747.58	14045.38	12941.74	

Source:- Based on Bulletin on food Statistics, 1974 to 1981-82.

TABLE IV

PERCENTAGE SHARE OF WHEAT, RICE & COARSE  
GRAINS IN FDS OFFTKE

<u>Year</u>	<u>Wheat</u>	<u>Rice</u>	<u>Coarse grains</u>
1977	54.53	39.13	6.34
1978	37.32	31.71	-
1979	64.20	34.72	1.04
1980	53.32	40.4	0.73
1981	49.48	49.13	1.39
1982	48.54	50.74	3.68
1983	65.46	32.56	1.98



TABLE V

## NUMBER OF P.S (State-wise) 1977-1983

States	Percentage change over the preceding year and in the percentage share of states in the total P.S.						S of change
	1977	1978	1979	1980	1981	1982	1983
1. Andhra Pradesh	20839	22153	22133	25325	28743	28743	30624
% change	+2.97	+6.31	+10.14	+14.16	+13.50	Nil	+6.54
% share	8.73	9.28	9.10	8.93	10.16	10.35	10.78
2. Assam	14165	12498	14290	15916	16339	16339	15389
% change	+13.34	-11.77	+14.34	+11.38	+2.97	Nil	-6.10
% share	5.94	5.24	5.86	5.61	5.79	5.60	5.42
3. Bihar	25983	27109	27109	27109	37142	37142	37142
% change	-4.15	+4.33	Nil	Nil	+37.01	Nil	Nil
% share	10.89	11.36	11.12	9.56	13.13	13.33	13.08
4. Gujarat	9234	9357	8655	9693	9956	9956	10145
% change	+1.26	-4.08	-2.28	+11.99	+2.71	Nil	+1.89
% share	3.87	3.71	3.55	3.42	3.52	3.59	3.57
5. Haryana	4751	4336	4154	5213	5343	5392	5590
% change	+9.57	-8.74	-4.20	+25.49	+2.49	+0.92	+3.67
% share	1.99	1.82	1.70	1.84	1.89	1.94	1.97
6. Himachal Pradesh	2960(a)	2628	2603	2807	2738	2738	2746
% change	+2.36	-2.30	-0.95	7.84	-2.46	Nil	+0.29
% share	1.33	1.10	1.07	0.99	0.97	0.99	0.97
7. Jammu & Kashmir	1167	1167	1500	1500	2162	2162	2162
% change	Nil	Nil	+28.53	Nil	+44.13	Nil	Nil
% share	0.49	0.49	0.62	0.53	0.76	0.73	0.76
8. Karnataka	15004	14081	14000	14000	14000	14227	14814
% change	+5.55	-6.15	-0.58	Nil	Nil	+1.62	+4.13
% share	6.29	5.90	5.74	4.94	4.95	5.12	5.22

(Contd.....)

	1977	1978	1979	1980	1981	1982	1983
9. Kerala % change % share	11873 +0.83 4.98	11775 -0.83 4.93	11534 -2.05 4.73	11504 -0.26 4.06	11635 +1.14 4.11	11635 Nil 4.19	11813 +1.83 4.17
10. Madhya Pradesh % change % share	15795 +1.50 6.62	16540 +4.72 6.93	17836 +7.84 7.31	23593 +32.28 8.32	22812 -3.31 3.06	17216 -24.53 6.20	16985 1.34 5.98
11. Maharashtra % change % share	28161 +2.39 11.80	27505 -2.33 11.52	26799 -2.57 10.99	28296 +5.59 9.98	29315 +3.60 10.36	29315 Nil 10.56	30024 +2.42 10.57
12. Manipur % change % share	484 +11.26 0.20	435 -10.12 0.13	525 +2069 0.22	940 +79.05 0.33	1065 +13.30 0.38	1077 +1.13 0.39	1149 +6.69 0.40
13. Meghalaya % change % share	1418 -1.04 0.61	1463 +1.04 0.61	1476 +0.39 0.61	1650 +11.79 0.53	1719 +4.18 0.61	1758 +2.27 0.63	1773 +0.85 0.62
14. Nagaland % change % share	57 +62.86 0.02	35 -38.60 0.01	101 +138.57 0.04	101 Nil 0.04	158 +57.43 0.06	172 +8.86 0.06	107 -37.79 0.04
15. Orissa % change % share	10684 +6.42 4.43	10039 -6.04 4.21	10345 +3.05 4.24	16255 +57.13 5.73	17160 +5.57 6.07	17156 -0.02 6.13	17858 +4.09 6.29
16. Punjab % change % share	11798 +0.87 4.94	11696 -0.86 4.90	7443 -36.36 3.05	9675 +29.98 3.41	10321 +6.68 3.65	10321 Nil 3.72	10800 +1.64 3.80

(contd.....3)

	1977	1978	1979	1980	1981	1982	1983
17. Rajasthan % change % share	3995 -1.92 3.77	9171 +1.96 3.84	7973 -13.06 3.27	9870 +23.7 3.48	10057 +1.89 3.55	10057 Nil 3.62	11275 +12.11 3.97
18. Sikkim % change % share	12(b) 7.69 0.01	13(b) +8.33 0.01	13 Nil 0.01	13 Nil 0.01	926 -7023.03 0.33	926 Nil 0.33	926 Nil 0.33
19. Tamil Nadu % change % share	3576 15.77 3.59	10132 +13.73 1.27	17002 +66.98 6.97	17336 +1.96 6.11	17536 +1.15 6.20	17536 Nil 6.32	17796 +1.18 6.27
20. Tripura % change % share	654 -5.49 0.27	692 +5.31 0.29	705 +1.83 0.29	745 +5.67 0.26	823 +10.47 0.29	823 Nil 0.30	889 +8.02 0.31
21. Uttar Pradesh % change % share	24983 +0.10 10.47	21959 -0.10 10.46	26419 +5.85 10.81	10213 -61.32 3.60	20001 +95.72 7.07	20001 Nil 7.20	20795 +3.97 7.32
22. West Bengal % change % share	17735 -1.00 7.13	17358 +0.69 7.48	17519 -1.45 7.22	18111 +2.91 6.39	18496 +2.13 6.54	19496 Nil 6.66	18697 +0.60 6.55
23. Jharkhand % change % share	110 Nil 0.05	110 Nil 0.05	110 Nil 0.05	167 +51.82 0.06	187 +11.98 0.07	186 -0.53 0.07	226 +21.51 0.08
24. Chhattisgarh % change % share	143 -93.12 0.06	141 -1.40 0.06	131 +30.58 0.08	192 +1.35 0.07	200 +1.17 0.07	200 Nil 0.07	203 +4.00 0.07
25. Delhi % change % share	2246 Nil 0.94	2774 -3.21 0.91	2160 -0.64 0.89	2176 -0.74 0.77	2352 +31.07 1.01	2352 Nil 1.03	2369 +0.60 1.01

(contd.....4)

	1977	1978	1979	1980	1981	1982	1983
26. Goa, Daman & Diu	393	393	374	379	386	387	396
%change	Nil	Nil	-4.33	+1.34	+1.85	+0.26	+2.33
%share	0.16	0.16	0.15	0.13	0.14	0.14	0.14
27. Pondicherry	174	176	178	166	175	178	173
%change	1.14	+1.15	+1.14	-6.74	+5.42	+1.71	Nil
%share	0.07	0.07	0.07	0.06	0.06	0.06	0.06
28. Andaman Islands	181	182	138	193	193	191	202
%change	Nil	+0.55	+3.30	+2.66	Nil	-1.04	+5.76
%share	0.03	0.03	0.03	0.07	0.07	0.07	0.07
29. Lakshadweep	21	21	23	23	24	24	24
%change	Nil	Nil	+9.52	Nil	+4.35	Nil	Nil
%share	0.01	0.01	0.01	0.01	0.01	0.01	0.01
30. Dadra & Nagar Haveli	26	24	40	40	40	40	40
%change	+8.33	-7.69	+66.67	Nil	Nil	Nil	Nil
%share	0.01	0.01	0.02	0.01	0.01	0.01	0.01
31. Mizoram	240	314	307	352	366	366	441
%change	-23.57	+30.83	-2.23	+14.66	+3.93	Nil	+20.49
%share	0.10	0.13	0.13	0.12	0.13	0.13	0.16
GRAND TOTAL	2,38,622	2,38,727	2,43,328	2,33,560	2,32,902	2,77,672	2,84,023
%change	-0.15	+0.04	+2.14	+16.30	+0.23	-1.85	+2.29



Table VI

INTER-STATE DISTRIBUTION OF FPS AND OFFTAKE (1981-83)

Sl. No.	States/ UT.	Percentage share in offtake	Percentage share in FPS
1.	Andhra Pradesh	6.20	10.43
2.	Assam	4.25	5.70
3.	Bihar	5.52	13.20
4.	Gujarat	3.13	3.56
5.	Haryana	1.17	1.93
6.	Himachal Pradesh	0.53	0.93
7.	Jammu & Kashmir	2.19	0.77
8.	Karnataka	5.07	5.10
9.	Kerala	9.97	4.16
10.	Madhya Pradesh	3.63	5.75
11.	Maharashtra	11.33	10.50
12.	Manipur	0.37	0.33
13.	Meghalaya	0.63	0.62
14.	Nagaland	0.45	0.05
15.	Orissa	2.94	6.13
16.	Punjab	2.10	3.72
17.	Rajasthan	1.31	3.71
18.	Sikkim	0.30	0.33
19.	Tamil Nadu	2.23	6.26
20.	Tripura	0.71	0.30
21.	Uttar Pradesh	7.41	7.20
22.	West Bengal	19.73	6.53

(contd....)

23.	A & N Islands	0.14	0.07
24.	Arunachal Pradesh	0.24	0.07
25.	Chandigarh	0.17	0.07
26.	Dadra & Nagar Haveli	-	0.01
27.	Delhi	6.44	1.02
28.	Goa, Daman and Diu	0.52	0.14
29.	Lakshadweep	0.04	0.01
30.	Mizoram	0.41	0.14
31.	Pondichery	0.12	0.06

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ALL INDIA

100.00

100.00

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Table VII a

PER FPS OFFTAKES (Monthly in tonnes)  
(1933)

State	Wheat	Rice	Sugar	Total	Daily offtake per shop
1. West Bengal	6.207	5.972	1.282	13.440	515.23 kgms.
2. Gujarat	1.469	0.742	1.390	3.601	138.07 kgms.
3. Uttar Pradesh	2.319	1.197	2.159	5.675	217.59 kgms.
4. Madhya Pradesh	1.076	0.334	1.142	3.102	118.93 kgms.
5. Maharashtra	2.330	0.967	0.860	4.207	161.30 kgms.
6. Karnat.Ka.	1.710	1.637	1.031	4.428	169.73 kgms.
7. Andhra Pradesh	0.454	2.781	0.752	3.983	152.375 kgms.
8. Tamil Nadu	2.685	4.058	1.150	7.374	301.37 kgms.
9. Kerala	1.553	8.265	0.907	10.726	411.214 kgms.
10. Delhi	17.003	4.302	2.161	23.765	911.134 kgms.
11. ALL INDIA	2.025	2.013	0.985	5.023	192.538 kgms.

Table VII b

POTENTIAL COVERAGE OF PDS WITH EXISTING SIZE OF CEREALS (1977-1983)  
(1000 tonnes)

Sl. No.	Year	Internal procurement in 1000 tonnes	Closing stock in 1000 tonnes	Buffer operational tonnes	Total supply available for offtake in 1000 tonnes (Actual offtake)	Potential Beneficiaries of PDS in 1000 tonnes	A	B	C	D	10
1.	1977	9974	7346	10,000	17320	11729	117747	233663	72166	1144913	
							(18.72)	(45.90)	(11.47)	(23.04)	
2.	1978	11093	7160	10,000	18253	10133	124124	304300	76075	152761	
							(19.44)	(47.66)	(11.91)	(23.92)	
3.	1979	13837	7519	10,000	21356	11663	145135	355933	83933	17363	
							(22.30)	(54.67)	(13.66)	(27.44)	
4.	1980	11171	1739	10,000	12910	14993	37763	215166	53791	103015	
							(13.22)	(32.42)	(8.10)	(16.27)	
5.	1981	12975	1498	10,000	14473	13014	93392	241216	60304	121092	
							(14.35)	(35.20)	(8.30)	(17.67)	
6.	1982	15352	2766	10,000	18113	14420	123172	301966	75492	151539	
							(17.58)	(43.10)	(10.77)	(21.63)	
7.	1983	15616	5391	10,000	21007	14613	142812	350116	87529	175761	
							(19.93)	(43.37)	(12.21)	(24.63)	
	Average	12860	1774	10,000	17634	12945	119335	293909	73472	147544	
							(17.93)	(43.97)	(10.93)	(22.07)	

Notes:- 1) Closing stock (operational) = Total closing stock-Buffer stock.  
 2) Total potential offtake = Internal procurement + operational closing stock.  
 3) Number of potential beneficiaries is obtained dividing offtake by the following:-  
 a) Norm i.e. 403 grms. per day per person or 147.095 kg. per person per annum.  
 B) Minimum of issue scale i.e. 60 kg, per person per annum from among the scale of 19 states.  
 C) Maximum of scale i.e. 240 kg. per person per annum from among the scales of 19 states (U)  
 D) Average of scale i.e. 119.52 kg. per person per annum for 19 states & (U Ts).  
 Buffer stock requirements are assumed to be 10 million tonnes.  
 (Figures in parenthesis indicate percent coverage of total population under PDS).



TABLE VIII

## PERCENTAGE SHARE OF MAJOR STATES IN THE OFFTAKE OF TOTAL CEREALS (1980-83)

Name of the States	1980	Name of the States	1981	Name of the States	1982	Name of the States	1983
1. West Bengal	15.53	West Bengal	16.28	West Bengal	19.56	West Bengal	13.83
2. Uttar Pradesh	12.63	Maharashtra	12.37	Maharashtra	10.96	Tamil Nadu	9.94
3. Maharashtra	10.41	Kerala	9.14	Kerala	8.82	Maharashtra	9.76
4. Madhya Pradesh	7.35	Tamil Nadu	9.00	Tamil Nadu	8.64	Kerala	9.69
5. Bihar	6.71	Uttar Pradesh	7.26	Uttar Pradesh	6.93	Andhra Pradesh	8.14
6. Kerala	6.17	Delhi	5.58	Delhi	6.10	Uttar Pradesh	6.14
7. Delhi	5.37	Karnataka	5.17	Bihar	5.09	Bihar	5.86
8. Tamil Nadu	4.40	Andhra Pradesh	4.54	Karnataka	4.86	Delhi	5.27
9. Orissa	3.96	Bihar	4.23	Andhra Pradesh	4.36	Karnataka	4.07
10. Karnataka	3.83	Madhya Pradesh	4.18	Assam	3.72	Assam	3.57
Cumulative percentage	76.36	Cumulative percentage	78.80	Cumulative percentage	79.04	Cumulative percentage	81.54

TABLE IX

## PERCENTAGE SHARE OF MAJOR STATES IN THE OFFTAKE OF RICE (1980-81)

Name of the states	1980	Name of the states	1981	Name of the states	1982	Name of the states	1983
1. West Bengal	19.37	Kerala	17.04	West Bengal	21.66	West Bengal	18.80
2. Kerala	13.41	West Bengal	16.65	Kerala	15.79	Kerala	16.61
3. Uttar Pradesh	9.33	Tamil Nadu	12.39	Tamil Nadu	10.97	Andhra Pradesh	14.24
4. Madhya Pradesh	8.83	Maharashtra	10.12	Maharashtra	8.84	Tamil Nadu	12.22
5. Maharashtra	8.19	Andhra Pradesh	6.51	Andhra Pradesh	5.91	Maharashtra	5.07
6. Andhra Pradesh	6.06	Karnataka	5.61	Karnataka	5.29	Uttar Pradesh	4.44
7. Orissa	5.73	Uttar Pradesh	5.06	Uttar Pradesh	4.76	Karnataka	4.05
8. Tamil Nadu	5.00	Assam	4.19	Assam	4.29	Assam	3.57
9. Assam	4.89	Madhya Pradesh	3.78	Orissa	3.30	Madhya Pradesh	3.19
0. Karnataka	4.01	Bihar	2.92	Bihar	3.25	Orissa	2.70
Cumulative percentage	84.87	Cumulative percentage	84.27	Cumulative percentage	84.06	Cumulative percentage	84.89

TABLE X

## PERCENTAGE SHARE OF MAJOR STATES IN THE OFFTAKE OF WHEAT (1980-1983)

Name of the States	1980	Name of the States	1981	Name of the States	1982	Name of the States	1983
1. Uttar Pradesh	15.06	West Bengal	16.38	West Bengal	17.59	West Bengal	19.42
2. West Bengal	13.11	Maharashtra	13.08	Maharashtra	12.63	Maharashtra	12.41
3. Maharashtra	11.02	Delhi	11.39	Delhi	10.30	Bihar	9.35
4. Bihar	9.94	Uttar Pradesh	9.68	Uttar Pradesh	9.34	Uttar Pradesh	8.56
5. Delhi	8.33	Tamil Nadu	5.87	Bihar	7.11	Delhi	8.39
6. Madhya Pradesh	6.40	Bihar	5.76	Tamil Nadu	6.29	Tamil Nadu	7.98
7. Rajasthan	5.58	Madhya Pradesh	4.70	Punjab	4.70	Karnataka	4.21
8. Tamil Nadu	4.04	Karnataka	4.64	Karnataka	4.30	Punjab	3.85
9. Karnataka	3.63	Assam	3.51	Madhya Pradesh	3.58	Assam	3.68
10. Punjab	3.63	Gujarat	3.48	Gujarat	3.32	Orissa	3.34
Cumulative percentage	80.74	Cumulative percentage	73.49	Cumulative percentage	78.16	Cumulative percentage	81.19

TABLE XI

## PERCENTAGE SHARE OF MAJOR STATES IN THE OFFTAKE OF COARSE GRAINS (1980-83)

Sl. No.	Name of the States	1980	Name of the States	1981	Name of the States	1982	Name of the States	1983
1.	Maharashtra	80.87	Maharashtra	72.19	Maharashtra	54.26	Maharashtra	77.21
2.	Karnataka	9.57	Gujarat	20.12	Gujarat	30.85	Gujarat	22.79
3.	Gujarat	9.57	Karnataka	7.69	Karnataka	12.77	Karnataka	0
4.	Andhra Pradesh	0	Andhra Pradesh	0	Andhra Pradesh	3.13	Andhra Pradesh	0
5.	Assam	0	Assam	0	Assam	0	Assam	0
6.	Bihar	0	Bihar	0	Bihar	0	Bihar	0
7.	Haryana	0	Haryana	0	Haryana	0	Haryana	0
8.	Himachal Pradesh	0	Himachal Pradesh	0	Himachal Pradesh	0	Himachal Pradesh	0
9.	Jammu & Kashmir	0	Jammu & Kashmir	0	Jammu & Kashmir	0	Jammu & Kashmir	0
10.	Kerala	0	Kerala	0	Kerala	0	Kerala	0
Cumulative Percentage		100.00	Cumulative Percentage	100.00	Cumulative Percentage	100.00	Cumulative Percentage	100.00



TABLE XII

ANNUAL PER-CAPITA OFFTAKE OF CEREALS IN STATES AND UTS. (IN KGS)  
(1977-1982)

Sl. No.	State/Union Territories	% change from 1977-83	1977	1978	1979	1980	1981	1982	1983	Average
1.	Andhra Pradesh	+221.92	6.38	5.077	7.947	10.372	10.933	11.419	21.177	10.472
2.	Assam	- 4.49	27.543	26.199	29.723	27.009	24.400	25.806	26.307	26.726
3.	Bihar	+ 37.46	8.494	8.475	11.501	14.630	7.905	10.231	11.676	10.415
4.	Gujarat	- 27.41	12.66	6.23	4.78	10.85	12.49	13.17	9.19	9.91
5.	Haryana	- 0.58	12.654	14.677	12.138	11.065	7.346	14.130	12.581	12.092
6.	Himachal Pradesh	+128.10	7.608	11.683	12.917	24.140	15.728	13.629	17.354	15.437
7.	Jammu & Kashmir	+ 2.70	48.107	47.685	37.011	67.265	41.382	47.139	49.406	48.285
8.	Karnataka	- 44.46	27.418	19.477	20.163	15.751	13.007	18.272	15.230	19.133
9.	Kerala	- 11.93	60.869	38.381	26.539	36.736	46.443	48.935	53.532	44.519
10.	Madhya Pradesh	+ 15.39	6.586	5.605	9.027	21.419	10.336	8.300	7.600	9.310
11.	Maharashtra	- 13.26	24.948	17.319	19.040	25.220	25.451	24.526	21.641	22.592
12.	Manipur	+533.95	5.443	6.818	13.294	13.732	21.516	40.301	34.506	20.130
13.	Meghalaya	- 33.01	54.863	61.489	62.205	50.575	61.331	36.953	35.110	51.790
14.	Nagaland	+133.52	32.357	25.074	32.349	54.886	64.02	72.432	75.531	50.965
15.	Orissa	+ 49.47	10.634	9.263	14.922	22.321	11.026	15.405	15.395	14.283
16.	Punjab	+ 7.31	14.932	22.38	23.390	19.721	12.472	19.225	16.025	13.300
17.	Rajasthan	- 29.25	3.926	7.591	11.629	15.560	5.647	6.207	2.778	7.684
18.	Sikkim	+ 40.30	82.397	101.03	32.474	93.361	16.352	114.453	115.607	101.532
19.	Tamil Nadu	+ 43.47	19.543	12.336	16.352	13.742	34.096	25.285	29.016	20.051
20.	Tripura	+193.22	16.411	17.535	34.038	52.947	31.033	49.976	43.121	35.723
21.	Uttar Pradesh	+ 51.27	5.305	9.273	11.254	17.367	8.446	8.763	8.025	9.777
22.	West Bengal	+ 19.35	40.361	32.131	36.656	43.323	33.559	50.421	48.171	41.379

(contd.....)

Sl. No.	UNION TERRITORIES/change from 1977-1978	1977	1973	1979	1980	1981	1982	1983	Average
1.	Andaman & Nicobar Island	-15.92	107.595	90.362	74.713	103.325	100.00	90.476	93.353
2.	Arunachal Pradesh	+46.61	35.524	34.433	31.773	32.463	42.654	50.613	52.033
3.	Chandigarh	-20.75	44.444	31.365	91.534	64.965	53.574	47.619	35.225
4.	Dadra & Nagar	-	Nil	Nil	Nil	9.524	Nil	Nil	-
5.	Delhi	+3.90	103.679	111.031	101.173	133.654	136.197	134.507	112920
6.	Goa Daman & Diu	-11.75	62.561	53.091	44.293	45.531	62.5	61.939	55.215
7.	Lakshadweep	+32.14	103.103	105.263	102.564	100.00	100.961	131.951	142.357
8.	Mizoram	+43.63	73.35	96.019	71.429	67941	33.163	115.234	109.023
9.	Pondichery	+246.30	10.330	10.563	6.373	10.034	16.447	20.367	37.559
	ALL INDIA	+13.24	17.937	15.260	17.155	21.343	13.463	20.497	20.313

N.B: Per-capita offtake is obtained by dividing total offtake of cereals by the population of the State.

Source: Bulletin on food statistics, 1973, 1980 and 1981, 1982, 1982-84 issues.

Population figures from Bulletin on food statistics. 1931-32 and 1982-84 issues.

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TABLE III

RANKING OF STATES ON THE BASIS OF  
ANNUAL PERCAPITA OFFTAKE OF CEREALS

(Average for 1977 to 1983) (in kgs.)

<u>Sl. No.</u>	<u>State</u>	<u>Offtake</u>
1.	Delhi	119.74
2.	Lakshdeep	111.54
3.	Sikkim	101.53
4.	Andaman & Nicobar	93.35
5.	Mizoram	88.08
6.	Chandigarh	59.33
7.	Goa Daman & Diu	55.11
8.	Meghalaya	51.79
9.	Nagaland	50.961
10.	Jammu & Kashmir	48.29
11.	Kerala	44.52
12.	West Bengal	41.38
13.	Arunachal Pradesh	39.94
14.	Tripura	35.72
15.	Assam	26.72
16.	Maharashtra	22.59
17.	Manipur	20.130
18.	Tamil Nadu	20.05
19.	Karnataka	19.19
20.	All India Average	18.73
21.	Punjab	18.30
22.	Pondichori	16.13
23.	Himachal Pradesh	15.43
24.	Nagaland	14.23
25.	Haryana	12.09
26.	Andhra Pradesh	10.47
27.	Bihar	10.42
28.	Gujarat & Madhya Pradesh	9.91
29.	Uttar Pradesh	9.73
30.	Rajasthan	7.63

TABLE XIV

## COMPARATIVE POSITION OF STATUTORY AND MODIFIED RATIONING AREAS OF WEST BENGAL

Offtake of cereals	Statutory Rationing Area in '000 tonnes	Modified Rationing Area in '000 tonnes
1930	758.5	817.4
1981	733.9	338.9
1932	960.3	1334.0
Three years average	832.57	1013.43
Ration scale of cereals during (1932)		
Rice	6 kg. per adult per month	1 kg. 600gm. per adult
Wheat	6 kg. "	2 kg. 400gm. per month
No. of FPS during 1932	2743 (15%)	5359 Total FPS 13507 (35%)
Population covered during 1932	96.86	459.00
During 1932	1 lakhs (30.00)%	1 lakhs (70.00)% of total Population
Per-Capita offtake in 1932	99.14 kgs	30.15 kgs.
Per shop offtake in 1932	349.454 tonnes	37.269 tonnes

Source:- Based on information supplied by the Food and Civil supplies, Government of West Bengal, 1933.



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Table XV

STATES' PDS OFFTAKE AS % OF TOTAL PDS OFFTAKE AND % OF

POPULATION

States	1981 % off- take	% of population	1982 % off- take	% of popula- tion	1983 % of take	% of popula- tion
<u>SURPLUS STATES</u>						
1. Andhra Pradesh	4.54	7.00	4.36	7.30	3.14	7.30
2.aryana	0.73	1.90	1.36	1.90	1.17	1.90
3. Himachal Pradesh	0.52	0.60	0.56	0.60	0.53	0.60
4. Jammu & Kashmir	1.91	0.90	2.01	0.90	2.14	0.90
5. Karnataka	5.17	5.40	4.86	5.40	4.07	5.40
6. Manipur	0.24	0.20	0.41	0.20	0.40	0.20
7. Orissa	2.24	3.80	2.87	3.80	2.93	3.30
8. Punjab	1.61	2.40	2.29	2.40	1.92	2.40
9. Uttar Pradesh	7.26	13.20	6.93	16.20	6.41	16.20
Sub Total	24.22	39.20	25.65	39.40	27.76	39.20
<u>DEFICIT STATES</u>						
10. Madhya Pradesh	4.12	7.60	3.27	7.30	2.35	7.60
11. Assam	3.79	3.0	3.72	3.0	3.57	2.9
12. Bihar	4.26	10.2	5.09	10.2	5.86	10.2
13. Gujarat	3.23	5.0	3.19	5.1	2.25	5.0
14. Kerala	9.14	3.7	8.32	3.8	9.69	3.7
15. Maharashtra	12.37	9.2	10.93	9.4	9.75	9.2
16. Meghalaya	0.63	0.2	0.64	0.2	0.63	0.2
17. Nagaland	0.39	0.1	0.41	0.1	0.44	0.1
18. Tamil Nadu	9.00	7.0	3.64	7.0	9.94	7.0
19. West Bengal	10.23	8.0	10.56	3.0	18.35	8.0
20. Rajasthan	1.50	5.0	1.48	5.0	0.69	5.1
21. Delhi	6.53	0.9	6.10	0.9	5.27	0.9
Sub Total	21.42	59.90	71.38	60.50	69.73	59.90
Total	95.64	99.1	97.53	99.9	97.54	99.1

Table XVI

SHARE OF SOME SELECT DISTRICTS  
ON THE BASIS OF OFFTAKE, 1983

Sl. No.	State/District					
	Karnataka	Orissa	U.P.	Bihar	Maharashtra	West Bengal
						(1982) Calcutta
1. Bangalore	Cuttack	Varanasi	Varanasi	Bombay		
51.64	27.78	21.29	14.90	33.90		
2. D. Kannada	Puri	Allahabad	Patna	Ratnagirh & Sundhburg	Statutory Rationing area	
7.56	14.54	6.48	3.26	6.75	33.82	
3. Mysore	Balasore	Kanpur	Ghaibasa & Singhbulli	Puna	Modified * Rationing area	
7.35	9.36	5.60	7.93	4.64		
4. Kolar	Mayurbunj	Luknow	Ranchi	Sholapur	-	
4.54	7.38	4.28	6.04	4.20		
5. Dharwad	Kenjhar	Mirzapur	Dhanbad	Nagpur		
	3.33	7.04	4.04	5.09		66.18

Note: \* = Included other categories and Flour Mills.

Other categories in turn include gratuitors Relief, Test Relief, NREP, Relief Camp, Large Employers and Employment Generation Scheme etc.

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Table XVII

STATEWISE DIFFERENCE BET. RATION SCALE OF CEREALS AND  
PER-CAPITA OFFTAKE (11 kg.)

Sl. States/Ut.	Ration Scale per Person per month	Average per-capita offtake	Off take as a % of Ration scale	Offtake as a % of norm
1. Andhra Pradesh	10.00 (Maximum 25kg. Rice)	1.22	12.20	10.09
2. Assam	3.00	2.24	23.00	18.53
3. Bihar	3.00	0.83	10.42	6.87
4. Haryana	12.00	0.95	7.93	7.36
5. Himachal Pradesh	9.00	1.43	15.39	11.33
6. Delhi	20.00	10.71	53.53	33.59
7. Gujarat	10.00	0.97	9.63	3.02
8. Jammu & Kashmir	8.00	3.34	48.04	31.76
9. Karnataka (maximum wheat 15 kg. per card in Urban areas )	7.00	1.44	20.52	11.91
10. Punjab	13.00	1.33	10.23	11.00
11. Rajasthan	7.50	0.40	5.71	3.31
12. Tamil Nadu (Maximum 12 kg/per card) and 15 kg wheat per card)	7.00Rice	0.49	7.00	4.05
13. Tripura	5.00	3.62	72.40	29.94
14. Uttar Pradesh	16.00	0.71	4.41	5.37
15. West Bengal (Statutory)	12.00	3.73	31.50	31.27
(Modified)	4.00	3.35	96.30	31.35
16. Kerala	13.2	4.15	31.44	34.33
17. Madhya Pradesh	12.00	0.75	6.21	6.20
18. Maharashtra	15.00	2.00	13.31	16.54
19. Orissa	5.00	1.13	23.53	9.76

TABLE XVIII

COMPARISON OF PDS OFFTAKE AND THE CONSUMPTION  
EXPENDITURE ON FOOD OF THE RELATIVELY POOR

Year	Annual average per-capita PDS offtake of cereals in KG.	Average annual quantity of rice and percentage purchased by the expenditure class below Rs. 75/- per month*	Col. 2 as percentage
(1)	(2)	(3)	(4)
1977	19.2	126	15.2
1978	16.1	126	12.8
1979	16.1	126	12.8
1980	24.2	126	19.2
1981	19.1	123	15.2

\* = NSS 23th round.



Table XIX

NOTIONAL NO. OF BENEFICIARIES (1981-83)

Sl. No.	States/UT.	Notional No. of beneficiaries in '000s.	Notional no. of beneficiaries as % of Total Population
1.	Andhra Pradesh	6683	12.22
2.	Assam	5733	27.94
3.	Bihar	7448	10.42
4.	Gujarat	3375	9.66
5.	Haryana	1051	7.93
6.	Himachal Pradesh	694	15.37
7.	Jammu & Kashmir	3148	51.24
8.	Karnataka	2376	7.56
9.	Kerala	3150	31.45
10.	Madhya Pradesh	3313	6.21
11.	Maharashtra	3541	13.31
12.	Orissa	6333	23.53
13.	Punjab	1750	10.20
14.	Rajasthan	2016	5.72
15.	Tamil Nadu	3441	6.99
16.	Tripura	1523	72.33
17.	Uttar Pradesh	4993	4.41
18.	West Bengal	6015 (statutory area)	31.91 (statutory area)
19.	Delhi	35309 (Modified area)	95.73 (Modified area)
20.	Delhi	3475	53.53

Note:- 1) Wherever a difference exists in the ration-scale of Rural and Urban area, the latter one is used. Ration-scale per card has been converted into scale per person assuming there are five persons attached to a card.  
 2) Notional no. of beneficiaries is obtained by dividing the average offtake for 1981-83 by issue scale.

Source: Bulletin in Food Statistics.

TABLE XX

SEASONALITY IN OFFT. KE OF RICE  
(Average figures 1930-32 in percentage)

States	Peaks			Troughs			Constant
	1	2	3	1	2	3	77to 83%lev.
1. Andhra	September (10.5)	July (9.5)	March (9.3)	January (5.3)	Feb. (6.5)	Dec. (7.1)	1
2. Tamil Nadu	July (10.6)	Oct. (9.9)	Nov. (9.4)	April (6.2)	Feb. (6.5)	March (6.6)	Nil
3. Karnataka	November (10.7)	Sept. (9.9)	Jan. (9.1)	April (6.5)	March (6.6)	February (7.2)	2
4. Kerala	August (9.6)	July (9.3)	Sept. (8.9)	Feb. (7.1)	Jan. (7.7)	April (7.9)	
5. Orissa	September (12.4)	July (12.3)	August (12.0)	Dec. (3.0)	Jan. (4.9)	Nov. (5.6)	Nil
6. West Bengal	March (10.6)	Sept. (9.6)	August (9.1)	Jan. (6.6)	Dec. (6.9)	Nov. (7.0)	3
7. Assam	March (9.2)	August (9.1)	Oct. (9.0)	Feb. (6.7)	Jan. (7.4)	Nov. (7.5)	1
8. Tripura	March, May (10.6)	April (9.4)	June (9.1)	Dec. (4.9)	Jan. (5.7)	Nov. (7.0)	1
9. Uttar Pradesh	Feb. (14.0)	March (12.6)	Jan. (9.2)	Dec. (5.2)	Nov. (5.3)	Oct. (6.3)	3
10. Bihar	March (9.3)	August (9.1)	May, June & Sept. (9.0) each	Feb. (6.6)	Jan. (7.4)	Nov. (7.6)	Dec. each
11. Delhi	Nov. (9.9)	Sept. (9.7)	Dec. (9.0)	Jan. (6.9)	Feb. (7.2)	May (7.4)	3
12. Jammu & Kashmir	August (10.3)	July (10.6)	Sept. (19.7)	Jan. (5.2)	Oct. (7.0)	Dec. (7.2)	3
13. Madhya Pradesh	June (12.4)	March (10.7)	May (10.5)	Dec. (4.9)	Nov. (5.0)	Oct. (6.3)	2
14. Maharashtra	March (9.3)	July (9.0)	Aug. (8.9)	Nov. (6.7)	Oct. (7.4)	Feb. (7.9)	2

TABLE XXI

SEASONALITY IN OFFTAKE OF WHEAT

(Average figures 1930-33 in percentage)

State	Peaks			Troughs		Constants	
	1	2	3	1	2	3	
1. Andhra Pradesh	July (10.0)	March (9.4)	August (9.1)	May (7.3)	April (7.9)	June (8.1)	4
2. Tamil Nadu	July (10.5)	Nov. Dec. (9.2)	Aug. (8.3)	April (6.1)	Feb. (3.0)	Septm. (8.1)	3
3. Karnataka	Dec. (9.3)	June (9.5)	March (9.2)	Nov. (7.4)	Feb. (7.3)	August (3.0)	4
4. Kerala	Dec. (10.5)	July (10.2)	Sept. (9.4)	Feb. (7.1)	May (7.2)	April (7.3)	1
5. Orissa	July (10.9)	August (9.6)	June (9.1)	Oct. Nov. (7.2)	April (7.3)	Jan. (3.2)	4
6. West Bengal	March (9.4)	Sept. (9.2)	Dec. (9.10)	May, (7.5)	April (7.9)	January (3.5)	1
7. Assam	Sept. (9.9)	Oct. (9.4)	May (.1)	Feb. (6.6)	May (7.3)	Jan. (3.0)	2
8. Uttar Pradesh	Feb. (14.9)	March (14.0)	Jan. (12.2)	June (5.5)	Nov. (5.6)	August (6.3)	1
9. Bihar	March (11.7)	Feb. (10.2)	Jan. (9.3)	Aug. (7.0)	Sept. (7.2)	April (7.3)	3
10. Delhi	Jan. (10.0)	March (9.7)	Feb. (9.3)	June (7.0)	May (7.5)	August (3.1)	2
11. Jammu & Kashmir	March (10.0)	July, Aug. (9.2)	Sept. (9.1)	Nov. (7.2)	Dec. (7.4)	Jan. (7.5)	1
12. Haryana	March (14.3)	Feb. (13.3)	Jan. (12.0)	Oct. (5.1)	July (6.3)	August (6.4)	2
13. Himachal Pradesh	March (13.0)	Feb. April (10.1)	Sept. (3.3)	August (6.2)	Nov. (6.5)	July (7.3)	4
14. Punjab	March (13.6)	Feb. (12.3)	Jan. (11.9)	Oct. (5.3)	June (5.3)	July (6.0)	2

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	1	2	3	1	2	3	
15. Rajasthan	March (21.3)	Feb. (13.0)	July (9.3)	Oct. (3.2)	Dec. (4.6)	Nov. (4.7)	Nil
16. Gujarat	August (9.3)	Jan. (9.6)	Feb. (9.5)	April (7.5)	Nov. (7.6)	March (7.7)	3
17. Maharashtra	Oct. (9.3)	Jan. Aug. (9.1)	July (9.0)	April (7.7)	May, June (7.9)	Nov. (3.0)	5
18. Madhya Pradesh	Feb. (13.1)	March (12.3)	Jan. (11.6)	Nov. (5.3)	Oct. (6.0)	Sept. (6.4)	1



PUBLIC DISTRIBUTION SYSTEM IN INDIA

POSITION PAPER FOR THE SEMINAR FROM THE  
DEPARTMENT OF CIVIL SUPPLIES, MINISTRY  
OF FOOD AND CIVIL SUPPLIES,  
GOVERNMENT OF INDIA, OCT. 1986.



## PUBLIC DISTRIBUTION SYSTEM IN INDIA\*

In a mixed economy like ours, supply management for goods and services for the common man is of crucial importance. The margin between conditions of shortage and easy availability is often thin. Essential consumption articles have highly inelastic demand. As a result, even a small variation in availability has a disproportionately large impact on prices. Even a limited shortage can cause a sharp rise in prices for the consumers. This price trend gets accentuated further when speculative elements try to exploit the situation. In the circumstances, the fate of the common man cannot be left to the free operation of the market forces. If owing to certain imbalance between supply and demand, the prices of essential commodities rise very high, there is a heavy erosion of the purchasing power of consumers, especially of those who belong to weaker sections of the society.

In view of this, the P.D.S. was conceived as an important measure to tackle the inflationary trends and has eventually come to stay as a permanent feature of our economy for keeping prices under check, reduce fluctuations in prices and ensure supply of key essential commodities at reasonable prices all over the country, particularly weaker and vulnerable sections of the society.

Today P.D.S. forms a very important part of the 20 Point Programme. Accordingly, under Point No.17, action is being taken to expand the PDS through opening more fair price shops including mobile shops in farflung areas, and also shops to cater to industrial workers, student hostels, etc..

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\*Position paper for the Seminar from the Department of Civil Supplies, Ministry of Food and Civil Supplies, Government of India, Oct. 1986.



PDS OUTLETS AND COMMODITY COVERAGE

The network of FPS has been expanding over the years. The number of fair price shops has increased from 2.39 lakh in March, 1979 to 3.27 lakh in March, 1986. About 78% outlets are in rural areas and more than 1/5th are run by cooperatives.

At present seven key essential commodities namely wheat, rice, sugar, imported edible oil, kerosene oil, soft coke and controlled cloth, are procured and supplied to the States by the Central Government for distribution through the PDS. Thus, in actual operation of the PDS, there exists a dual responsibility of the Central Government and the State Govt. Agencies such as the Food Corporation of India, State Trading Corporation, National Consumers Cooperative Federation, Coal India Limited and various public sector oil companies are entrusted with the task of supplying these commodities at Central Issue Prices, which are determined by the Central Government. The State Governments add incidental charges, like transportation, local taxes etc. while fixing the end-retail price. However, Central Government has also suggested margins which can be charged over and above Central issue price in respect of wheat, rice and edible oil.

Besides, the State Governments are free to include in their Public Distribution System, other commodities for which they will arrange, on their own, procurement and distribution with a view to making more commodities of mass consumption available to the consumers and at the same time improve the economic viability of fair price shops. Thus, some State Governments like West Bengal, Orissa, Tamil Nadu, Himachal Pradesh etc. have included pulses, match boxes, toilet soaps, cycle tyres and tubes, exercise books, torch cells etc. for



supply to consumers through the selected public distribution outlets in their respective areas. Statewise commodity coverage through FPS outlets is given in Annex-I.

To deliver these goods effectively, the following are the essential components:-

- a) Availability of essential commodities - Central Pool, angle and State angle.
- b) Infrastructure.
- c) Proper linkages.
- d) Enforcement.
- f) Prompt corrective action.
- g) Review/Assessment of PDS.

i) Availability:

Wheat and Rice:- These two items constitute the core of Public Distribution System. The allocation of wheat and rice per year has been about 15 to 16 million tonnes during 1984 and 1985. Under PDS, offtake of wheat was about 3.00 million tonnes and that of rice about 6.9 million tonnes during 1985. The annual offtake of wheat and rice taken together for PDS has been of the order of about 10 million tonnes during the year 1984 and 1985. The level of wheat stocks in the Central pool has ranged between 10 to 21 million tonnes during 1984 and 1985. Similarly, the rice stocks have been in the range of 3 to 10 million tonnes after meeting the PDS requirements. In other words, the availability position of wheat and rice is quite comfortable.

ii) Sugar:- The availability of sugar has been posing some problems for the Government. This has happened mainly because of the sharp decline in sugar production. The production which was 82.32 lakh tonnes in 1982-83 has come down to 61.43 lakh tonnes in 1984-85, and this year, i.e., in 1985-86 it is estimated to be around 65.0 lakh tonnes. Thus, the indigenous production is not adequate to meet the demand, which is estimated to be around 85 lakh tonnes. To meet this gap, the Government has resorted to imports. Efforts are afoot to increase the indigenous production with a view to reduce the dependence on imports. About 40 lakh tonnes of sugar is provided through PDS every year.

iii) Edible Oils:- The supply position of edible oil has been quite comfortable during 1985-86. This has been possible by better supply management. As against the demand of about 49 lakh tonnes in 1984-85, the indigenous production of edible oil was about 37 lakh tonnes leaving a gap of 12 lakh tonnes. The gap is being met by resorting to imports. About 8 lakh tonnes of edible oil was provided through PDS, during the Oil Year 1984-85 (November - October).

iv) Controlled Cloth:- At present, controlled cloth is being allocated to various States/U.Ts on a composite criteria, which is based on total population of a State and the population living below the poverty line in the State. The total entitlement of the States taken together was estimated to be 1.76 lakh bales, for the 1985-86. 85% of this quantity is routed through NCCF to the State. The product-mix of controlled cloth is dhuti, saree and long cloth. All the State Governments/U.Ts have been advised to monitor the distribution of controlled cloth at the district level to ensure that the bulk of the controlled cloth is supplied to rural areas, particularly to those who belong to weaker sections of the population.

v) Kerosene:- The Government of India has been making quarterly allocation of kerosene by allowing 5% growth on the allocation made during the corresponding period of the previous year. This aims to take care of the normal growth of the demand for kerosene in each State. Ad-hoc allocation are also made to take care of the emergency requirements of the different States. Supply of kerosene is basically for the purposes of lighting and cooking and its use for other purposes is being discouraged. However, large quantities of kerosene continues to be allotted to the industries and non-domestic consumers, and there are complaints of mixing of kerosene with diesel. This is one of the main reasons which reduces availability of kerosene for cooking and lighting, resulting in shortages and malpractices. All the State Governments have been advised by the Government of India to prevent adulteration of diesel with kerosene through clandestine means through rigorous implementation of enforcement laws. They have also been impressed upon to prepare a district plan for allotment of kerosene taking into account the power position and needs of a particular area. To ensure greater availability to the consumers, a further increase of 2.5% over the last year's allocation has been effected in the block of winter months, from November, 1985 to February, 1986. Thus a quantity of 5.47 lakh tonnes is being allocated per month from November, 1985 onwards. For the summer and monsoon blocks also, the allocation has been 7% higher than the corresponding period last year. Further, depending on the urgency and need, the demands of State Governments/UT Administrations are met through ad-hoc allotments from time to time. Total allocation during the current year is 60.65 lakh tonnes as against 57.58 lakh tonnes during 1984.

vi) Soft Coke:- Major States consuming soft coke are West Bengal, Bihar, Uttar Pradesh, Delhi and Punjab. These States/UTs have sustainedly accounted for more than 92% of the total

despatches. The consumers of this commodity are concentrated in the urban areas. The position of demand and off-take is reviewed on half yearly basis by the Government of India and statewide allocations are decided. During October, 1985 - March 1986, a quantity of 7.6 lakh tonnes was allocated to the States. For the current half year, i.e., April-September, 1986, the monthly allocation is 2.00 lakh tonnes.

The position of allocation and distribution of the essential commodities under PDS is shown below.

(Figures in 000, tonnes)

<u>Allocations</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
1) <u>Wheat</u>							
a) Allocation	7484	6340	3869	4324	6762	7556	8148
b) Distribution	3223	4124	3254	3869	4958	3264	3082
2) <u>Rice</u>							
a) Allocation	6260	9673	10137	6910	6830	6848	7916
b) distribution	3568	5025	6157	7429	7775	6629	6996
3) <u>Sugar</u>							
a) Allocation	100	3252	3312	3630	3669	3806	3996
b) Distribution	100	3252	3352	3650	3669	3354	3314
4) <u>Kerosene</u>							
a) Allocation	N.A.	N.A.	4423	5091	5398	5758	6085
b) Distribution	3880	4092	4588	5035	5303	5749	6070
4) <u>Edible Oil</u>							
a) Allocation	N.A.	467	468	449	605	963	646
b) Distribution	113	387	423	413	499	688	613
6) <u>Soft Coke</u>							
a) Allocation							
b) Distribution	2187	2191	2128	1883	1463	1561	1666



b) INFRASTRUCTURE:-

The responsibility of effective PDS is shared both by the Central Government and the State Governments/U.Ts Administration. While the Central Government is primarily responsible for procurement, maintenance and supply of stocks, the responsibility for drawing up a comprehensive distribution network for proper supply of essential commodities rests with the States. It has been noticed that there is no uniform growth in the level of development for requisite infrastructural facilities in matters of storages, transportation as well as streamlining the system of supply. To strengthen PDS, Planning Commission has approved an outlay of Rs.44.00 crores in the States/U.Ts Plans for the 7th Plan period. In addition, an outlay of Rs.2.50 crores has been provided in the Central Sector basically to extend financial assistance to the North-Eastern States, Himachal Pradesh, Jammu & Kashmir, Andaman & Nicobar Islands and Sikkim. Central Government also provided assistance to certain States to purchase mobile vans for providing essential commodities in the rural, tribal and farflung areas. During the year 1985-86, an amount of Rs.95.02 lakh was provided to Bihar, Orissa, Rajasthan, Assam, Andhra Pradesh and Madhya Pradesh for this purpose. During the year 1986-87, Manipur is also being provided assistance for starting mobile vans. A new scheme has been drawn up by the Central Government under which cent percent assistance is proposed to be provided to enable the States/U.Ts of NE region to supply salt and sugar in small packs to the consumers.

c) PROPER LINKAGES FOR PDS:- While availability of essential commodities and the infrastructure are the necessary conditions, these are not sufficient to implement the Public Distribution System effectively. To effect distribution of these commodities, a detailed distribution plan needs to be worked out by

the States/U.Ts bringing out the required linkages at various points. The linkages are expected to ensure that the essential commodities are reached in time and distributed to the people for whom these are meant. It, therefore, involves close coordination at different levels amongst the various organisations concerned with the supply and movement of these essential commodities. Briefly, once these commodities are allocated to various States, the arrangement for pre-payment, delivery from FCI or other godowns, proper watch during transportation of goods, receipt of stocks and final distribution to consumers are the State Governments responsibility. Proper planning in this regard is not only useful to the State Government, but that is an important instrument for FCI and other suppliers to plan their activities accordingly.

d) ENFORCEMENT AND SUPERVISION:-

The primary responsibility for the administration of the PDS rests with the concerned State Government and its local authorities. It is here that the State Governments have a vital role to play. They have to ensure equitable distribution to genuine customers. Complaints are sometimes voiced against the existence of a large number of bogus ration cards or diversion of stocks meant for public distribution to open market and other such irregularities. These need to be brought down with a heavy hand. Both regular and surprise checks need to be organised and strictest action under the Law is called for. The Essential Commodities Act, 1955, had been recently amended to provide for summary trial of all offences through special courts designated for the purpose. These special provisions have been brought in to effect from 1st September, 1982 and the State Governments/U.Ts Administrations are expected to ensure that anti-social elements are brought to book speedily under the Act.

e) MONITORING OF PDS:-

While the position of procurement, allocation and movement upto the central godowns is monitored by the respective Departments of the Central Government, the State Governments are expected to monitor Public Distribution System at State/local level. Apart from their monitoring, Department of Civil Supplies, Government of India, obtains the following 2 reports from the State Governments:-

1. Weekly report ending every Friday giving the position of shortages - commodity and areawise shortages alongwith reasons and action taken thereon;
2. Monthly report showing monthly allocation of essential commodities to each of the Districts. This report is supposed to contain utilisation of allotted stocks, information received on shortages and measures taken, infrastructure developed in rural areas to ensure regular supply of essential commodities, and number of meetings of Consumer Advisory Committees held at Taluka/block/district level. Specific cases of shortages/price rise are taken up with State Governments/U.T. administrations, the concerned Central Departments for corrective action. Apart from this, senior officers of the level of Deputy Secy., and Joint Secretary visit different States/U.Ts regularly with a view to assess the functioning of Public Distribution System. The Department of Civil Supplies has also prepared a check list of important points which should be looked into by the inspecting officers of the Central and the State Governments.

f) CORRECTIVE ACTION AND REVIEW OF PDS:-

Monitoring is not an end in itself. It is only an instrument for taking corrective action. In this process, we notice situations like shortages of stocks in godowns or we notice bad quality or may be owners of the Fair Price Shops have not made payments in time. There may even be a problem of short weightment or may be delayed delivery even after making payments, etc. There could be several problems which might have come to light during monitoring. While action on such problems is taken on immediate basis, a review is required for taking policy decisions to avoid any recurrence of the same, or similar problems in future. It is most crucial to the success of the PDS that District Collectors personally hold problems solving meetings at least once in a week, the difficulties, shortcomings and bottle-necks in the PDS noticed as a result of feedback material are thrashed out and corrective action taken in such meetings. Some bottle-necks may be solved finally at this level. Others may require decision at the State level.

g) ROLE OF ADVISORY/VIGILANCE COMMITTEES:

State Governments/U.T administrations have been advised, from time to time, to constitute Consumer Advisory/Vigilance Committees to supervise the working of the Public Distribution System at district, block, tehsil and fair price shops level. This was intended to protect the interests of the consumers by involving themselves in the programme. Public Co-operation and vigilance can be of much help in rooting out mal-practices of unscrupulous elements. Similarly, illegal activities like diversion of stocks meant for Public Distribution System to open market and use of bogus ration cards can also be checked with public co-operation.



The complaints regarding inferior quality of wheat and rice sold through the fair price shops as well as the little impact of the benefits of PDS to poorer sections of the population, particularly those residing in the rural, remote and inaccessible areas are sporadically received. If the Consumer Advisory/Vigilance Committees at the lower level are activated, with their cooperation and vigilance, it could be possible to ensure timely supplies of cereals, sugar and kerosene to the villages also.

h) EXPERIENCE OF SOME STATES:

Some States like Gujarat, Tamil Nadu, Kerala, Andhra Pradesh, Himachal Pradesh, and Tripura have developed an efficient infrastructure for Public Distribution System. The system of distribution of essential commodities has also been streamlined apart from regular monitoring and enforcement. In Tamil Nadu and Delhi P.D.S. items are delivered to the door step of the fair price shops. Gujarat has prepared districtwise maps with a view to exactly identify the locational advantages/efficiencies of the network. This not only helps in assessing the need for additional FPS/outlets, but proper distribution is also ensured. These States have also made considerable efforts in increasing the number of cooperative, FP outlets and, in this process, private traders have been eliminated to a large extent. In Andhra Pradesh, Tamil Nadu and Karnataka, specially subsidised rice is provided to the target groups. Gujarat provides specially subsidised wheat and rice to the people below poverty line. Central Government has also announced a scheme to provide specially subsidised wheat and rice in all the Integrated Tribal Development Programme (ITDP) areas and for the States which are fully tribal ones. The special reference to weaker sections by these States has helped the people at large.

The monitoring and enforcement measures assume special importance in the States and in the areas where such schemes are in operation.

GUIDELINES TO STATES:-

The Central Government has, from time to time drawn the attention of the States/UTs for strengthening and streamlining of the PDS. The guidelines issued in this regard are:-

- i) Opening of new fair price shops wherever necessary to provide easy physical access to consumers and supply of a ration card to every family both in rural and urban areas.
- ii) Provision and improvement of infrastructural facilities such as storage and transportation of essential commodities to the last link i.e. fair price shops in rural, backward, remote and inaccessible areas.
- iii) Provision of a proper monitoring system at the block, district and State head-quarters levels to ensure up-to date information in respect of supply or otherwise of essential commodities to the fair price shops.
- iv) Preparation of district-wise plans for allocation and distribution of wheat, rice, sugar, imported edible oils, controlled cloth, kerosene, salt and coal.
- v) Setting up of Consumers Advisory and Vigilance Committees at various levels including the fair price shops level.

- vi) A schedule for training of employees engaged in PDS work.
- vii) Tightening of inspection and enforcement measures to ensure that fair price shops function properly and essential commodities reach the people, particularly those belonging to the weaker and vulnerable sections of the population.
- viii) Developing a system of effective coordination among various agencies engaged in the task of procurement, storage and distribution of essential commodities within the State.
- ix) Provision of mobile fair price shops in tribal and interior areas.
- x) Where new fair price shops are to be opened, the State Governments should consider encouraging, inter alia, the cooperatives to open the outlets particularly in rural areas.
- xi) The norm of one shop for every 2000 persons be relaxed for farflung, sparsely populated areas.
- xii) Steps be taken to make fair price shops viable and to serve the consumers better.
- xiii) A review be undertaken of administrative arrangements for P.D.S.
- xiv) Setting up of Civil Supplies Corporations, wherever necessary, to handle the essential commodities being provided through PDS.
- xv) Possibilities be explored by the States/UTs to open fair price shops in Harijan Bastis.

Statewise break-up of the commodities being  
supplied through fair price shops as on 31.3.86

<u>Sr.No</u>	<u>Name of State/U.T.</u>	<u>Commodities supplied through fair price shops</u>
1.	Andhra Pradesh	Rice, Wheat imported, edible oil, Kerosene and sugar.
2.	Assam	Rice, Atta, sugar, salt, edible oils, kerosene, controlled cloth.
3.	Bihar	Wheat, rice, sugar, kerosene oil, edible oils and exercise books.
4.	Gujarat	Wheat, rice, sugar, edible oils, coarse grains.
5.	Haryana	Wheat, rice, sugar, edible oils, coarse grains, Wheat, atta, sugar, rice, kerosene oil, edible oils and controlled cloth. Ten items viz. tyres tubes, match boxes, exercise books toilet soaps, pulses, tea, washing soap, soda, battery cells and salt are distributed through selected fair price shops.
6.	Himachal Pradesh	Wheat, atta, rice, sugar, rapeseed oil, soyabean oil, palm oil, palmolion, pulses, parched gram, iodised salt, exercise books, maida, suji, basen, washing soap, toilet soap, washing powder, cloth (controlled cloth and non-controlled) blankets, shawls, tea, p.v.c. shoes, match boxes, pencils refills/ball pen/pens, pulbs, torch cells, candles, vegetables ghee, milk powder, cement(both levy and non levy) kerosene oil, LPG, cattle feed, tyres/tubes/typewriters, confiscated goods.



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|--------------------|---|
| 7. Jammu & Kashmir | Rice wheat, atta and sugar coarse grains, shawl.  |
| 8. Karnataka       | Sugar, rice, wheat, suji, maida, edible oil, kerosene oil.  |
| 9. Kerala          | Rice, wheat, sugar, kerosene, controlled cloth edible oil.  |
| 10. Madhya Pradesh | Wheat, rice, sugar, edible oil, kerosene oil, controlled cloth, tea, match boxes, soap jowar, salt, soda, rawa, maida, beedies and exercise books.  |
| 11. Maharashtra    | Rice, wheat, jowar, edible oils, sugar and kerosene oil.  |
| 12. Manipur        | Rice, Sugar, wheat, edible oils, cement, GCI sheets, iron materials.  |
| 13. Meghalaya      | Rice, sugar, salt, atta, edible oils.   |
| 14. Nagaland       | Sugar, salt, rice and wheat products.   |
| 15. Orissa         | Rice, wheat, sugar, kerosene oil, edible oils controlled cloth, cement, pulses, baby food, cycle tyres/tubes, concessional paper, exercise books, soaps, cosmetics, tea.  |
| 16. Punjab         | Sugar, wheat, atta, rice kerosene oil, imported edible oil, pulses and controlled cloth.  |
| 17. Rajasthan      | Rice, sugar, edible oils, wheat.  |
| 18. Sikkim         | Rice, sugar, edible oils, wheat and kerosene.   |
| 19. Tamil Nadu     | Rice, wheat, maida, suji, sugar, kerosene oil, edible oils and controlled cloth. In addition, the following items are stocked and sold by the fair price shops, salt, khus-khus, toor dal, turmeric, cummin seeds, mustard, peas, pepper, methi garlic, palmgun, Jaggery, chillies, corriander, blackgram dal G. Gram, groundnut oil, coconut oil |

GOVERNMENT OF INDIA  
DEPARTMENT OF CIVIL SUPPLIES

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CHECK LIST FOR INSPECTION OF PUBLIC DISTRIBUTION  
SYSTEM BY SENIOR OFFICERS.

- i) What are the storage and lifting arrangements made by the State Government?
- ii) What are the arrangements for joint inspection of stocks of wheat and rice by the FCI Officers and nominee officers of the State Government before issue to the fair price shops?
- iii) System of issue of permit by District Supply Officers to fair price shop owners and arrangements to monitor their lifting programme. Is it properly tied up with FCI and other concerned depots?
- iv) System of issue of permit by the District Supply Officer to fair price shops owners in rural areas, system of monitoring of the programme of permitted stocks by the FPS owners and the level of infrastructural arrangements made to ensure regular supply to them?
- v) Financial position of fair price shops and credit arrangements made by the State Government.
- vi) Urban and rural break-up of FPS and distribution of FPS at district level.
- vii) Whether ration cards have been issued and the commodities are provided strictly against ration cards. Quantum of ration allowed per head per month?

- viii) Monitoring arrangements at district level and whether a review of allocation and offtake is undertaken periodically?
- ix) Whether position of PDS is reviewed by the D.M.S in meetings. Periodicity of these meetings. What exactly is monitored/reviewed in such meetings?
- x) What is the system followed for distribution of controlled cloth?
- xi) What is the distribution system followed for kerosene and soft cake?
- xii) Whether the margins provided to the fair price shops owners are adequate? Details of various components of margins should be obtained and the rationale thereof should be clarified by the State Government/District Administration.
- xiii) Whether any schedule of inspection/visits has been drawn up for the year 1986-87;
- xiv) Total requirement of fair price shops and districtwise targets and achievements may be obtained.
- xv) Whether staff for managing PDS is adequate at all levels?
- xvi) Whether there is any arrangement for training of PDS staff?
- xvii) Whether districtwise maps on PDS have been prepared showing location of fair price shops and godowns?

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gingelly oil, bathing soap, washing soap, invalided foods, talcum powder, shaving blades, battery cells matches, post card (numbering 39 items).

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|---------------------------------|---|
| 20. Tripura                     | Salt, sugar, rice, wheat, atta, kerosene oil.   |
| 21. Uttar Pradesh               | Wheat, rice, sugar, in addition 26 items in urban areas and 24 items in rural areas are being distributed through cooperatives.   |
| 22. Andaman and Nicobar Islands | Rice, wheat, sugar, atta, salt, suji, controlled cloth, edible-oils, kerosene matches, soap, exercise books, spices, tea, chillies, vanaspati ghee, butter dry cells, paper, maida, onion, potato, pulses and coffee. |
| 23. West Bengal                 | Rice, wheat, sugar, pulses, suji, controlled janta cloth, edible oils, kerosene oils, toilet soap, laundry soap, soft coke, matches, exercise books candle, spices, salt, flour.                                      |
| 24. Arunachal Pradesh           | Rice, wheat, sugar, kerosene oil, salt, controlled cloth.   |
| 25. Chandigarh                  | Sugar, rice, atta, imported edible oils.  |
| 26. Dadra and Nagar Haveli      | Sugar, wheat, rice, edible oils.  |
| 27. Delhi                       | Rice, wheat, resultant atta, maida, suji sugar edible oils.   |
| 28. Goa Daman and Diu           | Rice, Wheat, sugar, edible oils and controlled cloth cement.  |
| 29. Lakshadweep                 | Rice, wheat products, sugar, kerosene, cement controlled cloth and soft coke.   |
| 30. Mizoram                     | Rice, sugar, wheat, edible oil, salt kerosene, and cement.  |
| 31. Pondicherry                 | Rice, wheat, maida, suji, sugar, edible oil, kerosene oil, refined bleached-de-odourised coconut oil.   |



THE PUBLIC DISTRIBUTION SYSTEM  
PLAN PERSPECTIVES

## THE PUBLIC DISTRIBUTION SYSTEM :

### PLAN PERSPECTIVES

#### 1. I PLAN

The system of food controls to be maintained has to be related to the needs of the urban and other highly deficit areas. This means that cities and towns above a certain size - which might vary according to local conditions in each State - must be statutorily rationed and the needs of highly deficit areas, like Travancore-Cochin, must be similarly looked after. A system of controlled distribution through non-statutory rationing should normally be adequate for other areas.

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#### 2. II PLAN

The maintenance by Government of an adequate foodgrains reserve at all times, so as to be able to meet an adverse situation effectively and promptly, is a necessary safeguard against the inflationary pressures implicit in a big developmental programme. In principle, this applies not only to foodgrains but also to important raw materials and a few other consumer goods.

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### 3. III PLAN

A network of cooperative and governmental agencies close to the farmer, licencing and regulation of wholesale trade extension of state trading in suitable directions and a considerable sharing by Government and cooperatives for the success of purchase and sale operations for stabilising prices and correcting seasonal and regional variations. Regulations and control of prices are in this view an aspect of the problems of institutional changes - that is, a strengthening of public and cooperative as against private agencies - that must necessarily accompany developmental planning.

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### 4. IV PLAN

Efforts have to be made to ensure that the fair price shop system is gradually replaced by an arrangement under which the cooperative consumer stores or shops of multipurpose societies become the principal apparatus for public distribution of foodgrains. The cooperative consumer stores can play a crucial role, especially in the rural areas, if their number is increased. At present, the fair price shop system, working mostly through private units, depends on State initiative and action and there are large fluctuations in the operation and extension of the system from year to year. Such a system is also apt to be dismantled as soon as adverse conditions disappear. This is wasteful. Attempts will be made in the Fourth plan to promote viable cooperative shops which will depend not merely on the distribution of foodgrains under the public distribution system but have activities covering the sale of other goods of mass consumption.

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## 5. V PLAN

In ensuring registered wage increases there are essentially two mechanisms that may be deployed. One involves revisions in wages and dearness allowances at periodical intervals in keeping with changing prices of essential consumer goods and also on the basis of recorded productivity growth. The other method would consist of pegging the prices of essential commodities at relatively low levels for ensuring supplies of reasonable quantities through a system of public distribution, obviating the need for very frequent changes in dearness allowances and wages. There are considerable advantages of the latter system, provided two essential conditions are fulfilled. First of all, a system of public distribution must avoid any sizeable subsidies on the public exchequer, which would otherwise eat into the resources needed for investment. This, in turn, would require that a reasonable quantity of the required commodity must be obtained at prices which will lie below the open market prices. Furthermore, it is essential to make sure that distribution costs are kept as low as possible. The second prerequisite is that the list of distribution system should be reasonably small and the commodities must be homogeneous in character.

Its rationale must derive from the need to discourage speculative activities in the area of trading, on the one hand, and the need to ensure steady growth of production, on the other. Demand and supply conditions for different commodities must be very carefully considered in matters relating to the fixation of prices as well as in determining the proportions of supplies of different commodities which will be made available through the fair price shops.



6. VI PLAN

From the point of view of maintaining stable price conditions, an efficient management of the supplies of essential consumer goods is of crucial importance. The demand for such commodities being largely inelastic, even a marginal fall in their output and availability often leads to a disproportionate increase in prices. Further, as most of these commodities are agriculture-based, their prices are subject to large seasonal variations. Public distribution will, therefore, have <sup>to</sup> play a major role in ensuring supplies of essential consumer goods of mass consumption to people at reasonable prices, particularly to the weaker sections of the community.

A large proportion of agricultural products - food grains as well as industrial raw materials tends to come to the market immediately after the harvest when prices are depressed. A mechanism for buying such commodities at prices which ensure a certain minimum profit to the producers and their distribution through the public channels would provide a two sided shield to protect the poor; in relatively easy times, they would be assured a minimum profit margin and in critical times they would receive supplies of essential commodities at reasonable prices. The public distribution system will, therefore, have to be so developed that it remains hereafter a stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods.

The public distribution system will also be necessary for operating the dual pricing arrangements in the case of certain commodities. Under these arrangements, a certain proportion of the output of the commodities involved is procured by public agencies or agencies designated by the Government at reasonable prices for distribution through approved channels, while remaining supplies may be disposed of by the producers at market prices. This would ensure availability of certain quantities of selected commodities to the consumers, particularly the vulnerable sections, at reasonable prices and at the same time allow the producers to realise on the whole after price for their produce.

An efficient public distribution system requires a nexus between production, procurement, transportation, storage and distribution of the selected commodities.

In the past, responsibilities for these have been fragmented and thus there has been a lack of an integrated systems of approach which alone can ensure an effective system of public distribution. It is proposed in the Sixth Plan to follow such an approach and to pay attention, apart from production and procurement, to transportation and proper storage of the commodities covered by the public distribution system. A linkage will be established among the concerned agencies in the Central and State Governments as well as public undertakings, and cooperative institutions at various levels.

In view of the complexity of the problem a selective approach is called for in the matter. The essentiality of commodities to be covered under the system has to be

determined with reference to the needs of the common man. Applying this criterion, cereals, sugar, edible oils, kerosene, soft coke, controlled cloth, tea, coffee, toilet soap, washing soap, match boxes and exercise books for children etc. could be treated as essential items for public distribution. The emphasis has to be on reaching all parts of the country, even if it means selection of

fewer essential commodities for supply through the system. Besides it is not necessary that the public distribution system all over the country should have a standardised list of commodities. The different regions may have different preferences. Further, different commodities may assume importance in the scheme of public distribution at different points of time. But having regard to the standard of living of the vast majority of the people, it is obvious that the overwhelming majority of commodities needing the care of the public distribution system will be fairly common for the entire country. Depending on local conditions the public distribution agencies may undertake operations in respect of certain perishable commodities also, provided suitable storage facilities are available or can be provided.

For the success of the public distribution system the maintenance of the supply line of the commodities selected for distribution would be of crucial importance. Even a temporary interruption in supplies could create great hardship to the people. The Plan includes suitable programmes for increasing the production of essential articles of mass consumption. There would, however, be need for forward planning in respect of individual commodities, so that the domestic supplies could be

suitably augmented by timely imports, wherever possible. Besides, adequate arrangements should be made for procurement, transportation, storage and distribution of the commodities at the Central, State and local levels, buffer stocking may also be desirable in respect of certain commodities. In regard to foodgrains, the Plan envisages building up of buffer stock of 15 million tonnes to minimise the impact of weather fluctuations on their availability and prices.

For the effective functioning of the public distribution system, it would be necessary to revamp and strengthen its infrastructure and expand the system quickly to cover all areas in the country, particularly the backward, remote and inaccessible areas. Special attention will need to be given to rural areas, as the system is relatively less developed in such areas.

At the national as well as State levels, arrangements generally exist for procuring essential commodities and supplying them through the public distribution outlets. In regard to foodgrains, the necessary operations are undertaken by the Food Corporation of India. In the case of sugar, the operations are undertaken by the Food Corporations of India in some States and Civil Supplies Corporations or co-operatives in other States. The responsibility for importing and distributing edible oils has been entrusted mainly to the State Trading Corporation of India. Soft coke is being handled by the Department of Coal and Coal India Ltd. Kerosene is being handled by the public sector corporations like Indian Oil Corporation, Hindustan Petroleum, Bharat Petroleum, etc. The production of controlled cloth has now been generally entrusted to



the National Textile Corporation and distributed through the National Consumers Cooperative Federation. Similarly, tea is being procured and distributed by the National Consumers Cooperative Federation and Coffee supplied by the Coffee Board. The supply of match boxes is arranged through the Khadi and Village Industries Commission. As regards exercise books, the State Governments receive paper at controlled price for conversion into exercise books through their own organisations. For toilet soap, in the absence of any public sector agency, the necessary arrangements for supply are being made by the India soap and Toiletries Manufacturers Association. These arrangements will need to be kept continuously under watch and suitably strengthened or modified whenever necessary.

In the States, distribution of essential commodities received from or through the Central agencies is, by and large, being handled by the State Civil Supplies Essential Commodities Corporations, State level apex consumer cooperative federations and other designated agencies. In some states like Tamil Nadu, Punjab and Kerala, the Civil Supplies Corporations have opened their own retail outlets also.

A number of States have a fairly developed system of consumer cooperatives. In 1979-80, out of the total fair price shops numbering 2.5 lakhs, nearly 72,000 were in the co-operative sector - about 58,000 in rural areas and 14,000 in urban areas. Besides, there were 470 wholesale consumer stores with 4500 branches (including 200 departmental stores) and 1500 primary stores functioning in urban areas. There are State level co-operative federations in each State and a national level co-operative consumers federation is also in existence.

The co-operatives in both urban and rural areas are selling consumer articles worth about Rs.1600 crores per annum. The co-operative and Civil Supplies Corporations together, therefore, seem to be meeting only a small proportion of the essential consumer needs at present. Their share in the trade in essential commodities will need to be increased substantially in the Sixth Plan period.

For the successful operation of the public distribution system, it would be necessary to revamp and strengthen the existing arrangements. In the States, where strong co-operative movement exists, the apex body of consumer co-operatives and marketing societies may take up the responsibility of procurement storage movement and distribution of essential commodities. However, in other States, it would be necessary to set up Civil Supplies Corporations or strengthen the existing Civil Supplies Corporations Essential Commodities Corporations.

The Civil Supplies Corporations may have to construct some godowns also for meeting their requirements, where adequate godown space is not available from the Central and State Warehousing Corporations, Cooperatives, etc. The corporations will also have to build up a cadre of trained personnel. For this purpose, effective training will be necessary.

It has been found in practice that neither the private sector nor the co-operatives volunteer to go to in-accessible areas, especially areas inhabited by the tribals and weaker sections of the community because of the non-viability of operations there. The State Governments

will have, therefore, to shoulder this burden through their own Civil Supplies Corporations or other suitable agencies. Some subsidy may also have to be given to retail outlets in such areas in the initial years of their operation.

In view of the weak resource base of the North-Eastern States, the Plan includes a provision for assisting such States in setting up Civil Supplies Corporations as also for assisting the corporations for constructing godowns and for subsidy to retail outlets in inaccessible areas, etc.

It would also be necessary to strengthen and expand the structure of consumer cooperatives in both urban and rural areas and increase the number of cooperative retail outlets, in order to cover effectively all sections of the community, particularly the Weaker sections. Necessary provision for this purpose has been made in the plan. The main targets are indicated below:

Consumer Cooperatives

	1979-80	1984-85
1. Fair Price Shops (Number)		
(a) Urban - - - - -	14,501	20,000
(b) Rural - - - - -	57,744	80,000
2. Distribution of consumer articles (rs. in crores)		
(a) Urban - - - - -	800	1,600
(b) Rural - - - - -	800	2,000

The total number of fair price shops, including private

outlets in the country is proposed to be increased from 2.5 lakhs at present to 3.5 lakhs by the end of the Sixth Plan.

Every care will have to be taken to ensure that the retail outlets established by the Civil Supplies Corporations or those operating in the co-operative sector are economically viable. Since a considerable infrastructure of private retail outlets exist and these have generally been operating for a long time, they would continue to play an important role in the public distribution during the Sixth Plan period also.

Emphasis has to be placed on efficient and socially-oriented marketing techniques and every effort will have to be made to reduce the cost of distribution by taken advantage of the economics of bulk handling, avoiding cross movement of goods, building up a net-work of rural godowns and use of non-mechanised means of transport from these godowns to consumer centres as far as possible. Besides, some fast selling items may be allotted to fair price shops in the public and the co-operative sectors to improve their financial viability. They should also be encouraged to handle postal articles and family planning materials.

Co-ordination and linkage between the consumer and marketing co-operatives would be strengthened so that the former could procure farm products directly from the farmers. Further, with a view to enabling the co-operatives to play a larger role in the public distribution system and



the supply of essential articles in the rural and urban areas, considerable expansion in the storage capacity of co-operatives is envisaged.

The usefulness of the public distribution would be enhanced through horizontal linkages with plan programmes. For instance, mobile fair price shops may be organised at Centres where rural works are in progress. Regular fair price shops could be established in areas where large-scale employment is generated under the Plan projects and programmes. The possibilities of non-formal staffing, i.e. use of personnel on part-time basis, may also be explored in appropriate places in order to minimise costs.

In the tribal areas, it may be noted, the problem is not merely one of supplying the other requirements, including the requirements of production inputs, and of procuring the products of tribals at reasonable prices, since they are often exploited by the middle-men. Some arrangement may also have to be made to supply goods to tribals on barter basis. The public agencies in tribal areas will have to take up all these tasks.

## 7. VII PLAN

### Public Distribution System:

The public Distribution System (PDS) is recognised as a permanent feature of the strategy to control prices, reduce fluctuations and achieve an equitable distribution of essential goods. Since an efficient public Distribution System requires nexus between production, procurement, transportation, storage and distribution of the selected commodities brought under the system, the Sixth Five Year Plan underlined the need for a selective approach and a certain flexibility in assessing the essentiality of commodities for public distribution. Though from the point of view of needs of the common man cereals, sugar, edible oil soft coke, kerosene, controlled cloth, tea, coffee, toilet and washing soaps, match boxes, and exercise books for children were considered such essential items, the Central Government confined its responsibility to seven commodities viz., wheat, rice, sugar, imported edible oil, kerosene, soft coke, and controlled cloth. These seven commodities constitute the core of the Public Distribution System (PDS). It was, however, not considered necessary that the PDS all over the country should have a standardised list of commodities. The different regions could have different needs and preferences depending upon local circumstances, and might add to these seven commodities by arranging to procure these on their own or through the agencies nominated by them. Some State Governments have, therefore, been distributing a large number of essential commodities through fair price shops. The Central Government have also been assisting the State Governments by arranging with the manufactures of certain commodities of mass consumption like toilet soaps, match

boxes, torch cells, razor blades, cycle tyres and tubes and in supplying these commodities at whole-sale prices to the State Governments for distribution through Public Distribution System. The State Governments have been advised to make full use of this facility so that consumers can have access to those commodities at reasonable prices.

The working of the PDS is periodically reviewed in consultation with the State Governments and corrective measures are taken from time to time to improve the supply of various essential commodities to the consumers. At the Centre, an Advisory Council on Public Distribution System has been constituted to review its working from time to time. For supervision over the Public Distribution System all the States have, on the suggestion of the Central Government, set up Consumer's Advisory Committees at district and tehsil levels in some form or the other. The States have also been asked to strengthen their administrative infrastructure for improving the PDS. As a result of effective implementation, essential commodities are reaching the weaker sections of the society. For example, during 1983-84 the PDS had a definite stabilising impact on the price pressures on all these items.

Expansion of the Public Distribution System has been made an important point of action in the new 20-point programme. Special emphasis is being given on increasing the number of fair price shops in the hitherto under-served and unserved areas and on organising mobile shops in far flung regions. The main thrust of expansion is in the rural areas with special attention being given to remote

and in accessible areas, so that the public Distribution Systems/becomes supplementary to the poverty alleviation programme.

The total number of fair price shops has increased from 2.39 lakhs in March, 1979 to 3.15 lakhs in January, 1985. The volume of sales through the public distribution system has increased from 17.94 million tonnes in 1979 to 24.77 million tonnes in 1984.

After detailed discussions with the States/UTs representatives an outlay of Rs.41.21 crores and Rs.2.80 crores have been allocated for the States and UTs respectively under the States/UTs Plan for Civil Supplies. In addition, an outlay of Rs.2.50 crores has been made in the Central Plan for strengthening the Public Distribution System.

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REPORT OF THE 7TH PLAN WORKING GROUP  
ON PUBLIC DISTRIBUTION SYSTEM

REPORT OF THE 7TH PLAN WORKING GROUP ON  
PUBLIC DISTRIBUTION SYSTEM

Introduction

In a mixed economy like ours, supply management for goods and services for the common man is of crucial importance. The margin between conditions of shortage and easy availability is often thin. A rise or fall in production of essential commodities even by a small margin makes a lot of difference in the situation of availability, price and distribution. Though the Public Distribution System has been in existence in some form or the other for the last four decades, the objective of the public distribution system - a distributive mechanism - has, however, been changing from time to time. Initially, the role of the system was seen primarily as a fire fighting operation and that too necessary in a scarcity situation only.

Role of the PDS in the Sixth Five Year Plan

Taking into account the special feature of weather depending economy, where a surplus can turn out a deficient situation in a short time, the importance of the public distribution system for improving the socio-economic conditions of a large section of the population, was recognised and endorsed in the Sixth Five Year Plan. The public distribution system was conceived as a potent instrument in ensuring supplies of essential consumer articles of mass consumption to people at reasonable prices particularly the weaker sections of the community.

The Sixth Five Year Plan document recognised it as a permanent feature of strategy to control and reduce price fluctuations, in the following words:

"The public distribution system will, therefore, have to be so developed that it remains hereafter a stable and permanent feature of our strategy to control prices, reduce fluctuations in them and achieve an equitable distribution of essential consumer goods".

Important Recommendations made in the Sixth Plan

Since an efficient public distribution system requires a nexus between production, procurement, transportation, storage and distribution of the selected commodities brought under this system, the 6th Plan underlined the need of selective approach and certain flexibility in assessing the essentiality of commodities for the purpose. Though from the point of view<sup>of</sup> needs of the common man, cereals, sugar, edible oils, kerosene, soft coke, controlled cloth, tea, coffee, toilet soaps, washing soaps, match boxes and exercise books for children, etc. were considered to be as essential items for public distribution system, the responsibility of the Central Government was confined to seven commodities viz. wheat, rice, sugar, imported edible oils, kerosene and soft coke. These seven commodities constitute the core of the public distribution system. It was, however, not considered necessary that the public distribution system all over the country should have a standardised list of commodities. The different regions may have their different needs and preferences

depending upon local circumstances, and add to these seven commodities by making arrangement of such items of mass consumption of their own.

The Sixth Five Year Plan document also mentioned that for the efficient functioning of the Public Distribution System, it would be necessary to revamp, strengthen its infrastructure and expand the system quickly to cover all areas in the country particularly the backward, remote and inaccessible areas. It emphasised for giving special attention to rural areas as the system was not upto the mark in such areas. It also envisaged a larger role for the cooperatives and also stressed the need for strengthening the State Civil Supplies Corporation where existing, as well as assist in setting up Civil Supplies Corporations which may take the responsibility of procurement, storage, movement and distribution of essential commodities. These Corporations might also undertake the responsibility to construct godowns in rural areas for meeting necessary infrastructure requirements and the State Governments through the Civil Supplies Corporation or the other suitable agencies would also have to bear the main burden of opening of fair price shops in inaccessible areas. Grant of some subsidy to be given to retail outlets opened in inaccessible areas in the initial years of their operation was also recommended. Special emphasis was also laid down to ensure that retail outlets established by the Civil Supplies Corporation or by the cooperative sector were economically viable.



Measures taken to expand and improve the system

The Department of Civil Supplies during the Sixth Five Year Plan had from time to time been drawing the attention of the State Governments/Union Territory Administration to the following points:-

- (i) Review of the functioning of the PDS and extending its coverage on the basis of one fair price shop for 2000 persons, with special emphasis on covering the remote and inaccessible areas.
- (ii) Improvement in the viability of fair price shops through enlargement of the commodity coverage.
- (iii) Strengthening of the existing Civil Supplies Corporations and setting up of new ones where there were none, strengthening the infrastructure with a view to streamlining the functioning of the PDS to ensure regular availability of essential commodities to the consumer.
- (iv) Setting up consumer advisory committees at State District, Block and village level to ensure quality of foodgrains as well as their regular availability.

If the number of fair price shops and the magnitude of essential goods supplied under the PDS be taken as an indicator, the PDS has been growing steadily. Over the period 1977-78 to 1982-83 its average annual rate of growth in terms of off take was only 7.5%. In 1982 and 1983 the rate of growth of off take was over 13 and 14% respectively. Over the period 1978-83, PDS supplies constituted 12.9% of the average net output of cereals. A statement indicating net

production and net availability of cereals and PDS off-take as percentage of net production and net availability is enclosed at annex 'A'. The table given below gives an idea of the growth of Public distribution system and increase in the number of fair price shops:

The mid-term appraisal of the Sixth Five Year Plan (1980-85) reiterated that the PDS will have to be extended, strengthened and streamlined in order to make available essential consumer goods to people particularly the weaker sections at reasonable prices throughout the country. The new 20 Point Programme has assigned a high priority to the public distribution system and directed to develop it in such a way that it remains permanent, reliable and efficient feature of the national economy.

#### Existing gaps

Public Distribution System has been operating with a varied level of efficiency in various States and Union Territories. Though the number of fair price shops, are predominantly in rural areas, it has, however, been seen that the level of effectiveness of PDS in terms of timely supply of essential commodities to village and their access to weaker sections of the society still leaves much scope for improvement. By and large working of the PDS in rural areas has suffered neglect. There is a general feeling that urban areas are high purchasing centres and if administration takes care of them, the potential of price rise of essential commodities can be effectively controlled. Since the majority of the population in urban areas are either salaried class or self-employed persons representing

GROWTH OF PUBLIC DISTRIBUTION SYSTEM AND FAIR PRICE SHOPS

		1979		1980		1981		1982		1983	
		Quantity		Value		Quantity		Value		Quantity	
		Value		Quantity		Value		Quantity		Value	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
17.94	2668.32	24.92	4452.64	23.41	4925.51	25.75	5755.30	27.12	6514.25		
		+ 38.9%	+66.9%	-6.1%	+10.6%	+10.0%	+16.8%	+5.3%	+13.2%		

\*Percentage increase in 1983 over 1979 : Quantity + 51.2%  
Value \* 144.1%

Growth of Fair Price Shops in the country from 1979 to April, 1984

March 1979	....	2,39,204	
March 1980	....	2,40,207	+ 0.4%
March 1981	....	2,77,010	+ 15.3%
March 1982	....	2,79,543	+ 0.9%
March 1983	....	2,93,040	+ 4.8%
October 1983	....	2,97,097	+ 1.4%
March 1984	....	3,05,160	+ 2.7%

Percentage of increase in the number of Fair Price Shops in 1984

Over 1979 is 27.6 percent

\*Note: Quantity indicated above does not include controlled cloth as the figures for controlled cloth are available in bales.

different level of status in economic terms, there is a regular demand of the city dwellers to purchase essential commodities from the fair price shops. In the villages, most of the people do not depend upon supply of essential commodities from fair price shops. It has also been observed that intelligence enforcement and man-power training for P.D.S. is generally weak in most of the States. During the Sixth Five Year Plan, three programmes under the Plan scheme namely introduction of Management Information System, provision of training and confinement of P.D.S. to target groups were envisaged. The Indian Institute of Management, Ahmedabad was entrusted with the preparation of a workable design for supply of Information Management System. Simultaneously necessary steps were taken also by the Department of Civil Supplies to improve the monitoring system. The Indian Institute of Public Administration has been entrusted to undertake a study on the viability of Fair Price Shops and feasibility of confining P.D.S. to target groups. On the basis of information received about the working of the P.D.S. it is seen that the system suffers from certain basic deficiencies. The existing infrastructure specially in the rural areas is weak and a good deal of efforts and imaginative planning is needed, both at the national and State level to evolve a proper strategy to provide for the requisite infrastructure.

Objectives of PDS during the Seventh Plan period

During the Seventh Five Year Plan it would therefore be necessary to clarify the objective of the PDS. It would also be relevant to consider as to whether PDS is to be treated as a total insurance against non-availability of



essential commodities or whether it has to play only a supplementary role. There is criticism that the PDS has predominantly urban coverage leading to an uneven spread of benefits. Since ours is a highly heterogeneous society, and the supplies from the PDS being limited, it is some time argued that the benefits of PDS may be restricted only to the poor and people belonging to the lower rungs of the society. Even if the PDS supplies are confined to people below poverty line, it would have to cover about 46% of the population. If 80% of the minimum food needs of these sections are to be met through PDS, the size of the PDS has to be about 28 million tonnes which would be almost double the size of the present system. The second important aspect of the PDS is its anti-inflationary role. It has been noticed that when there is sufficient stocks of foodgrains with the Government agencies, the trader tends to play low and prices tend to stabilise. Low stocks with the Government agencies give rise to a speculative tendencies in the market. Since the working of the market forces can be assumed to be influenced by the relative shares of the two segments of dual market; unless PDS segment becomes larger than the open market segment, it may not perhaps acquire the desired effectiveness in controlling prices and ensuring distribution of adequate supplies to the consumer.

The objective of the Public Distribution System apart from price stability and buffer stocking, should primarily aim at providing supportive cover to the economically weaker sections of society or those living below the poverty line, who must be given first preference under the system. Its effectiveness should be judged in terms of its access of essential commodities to rural and inaccessible areas.

Administrative arrangements and decision regarding the quantum and type of commodities to be catered to must flow from this. Though this would entail considerable administrative difficulties and efforts, this may have to be firmly faced and tackled.

At present facilities under the P.D.S. can be availed of by all sections of the population. Some States like Gujarat, Andhra Pradesh have, however, adopted a restrictive norm based on income criteria. Most of the States, however, find practical and administrative difficulties in identifying the poorer sections based on land and income criteria and confine the articles of distribution to them alone. Some States still have not been able to provide ration cards to all families (urban and rural). Any exclusion in the P.D.S. at this stage is likely to create administrative difficulties because of a lack of uniform pattern and comparative differences in infrastructural facilities etc. and the progress of the PDS in all likelihood may be hampered as most of the administrative efforts will be geared up in the direction of segregating population for the purpose of eligibility for getting essential commodities. Perhaps, time is not as yet ripe for confining PDS to targeted groups. However, the role of PDS has to be expanded sufficiently in the Seventh Five Year Plan so that PDS is in a position to serve the objectives of price stabilisation, give protection to wage earnings of the weaker sections of the population from the effects of the inflation and ensure availability of other consumer articles of mass consumption to the people at competitive rates.

For this, it is necessary that a body at the district level with branches at the sub-district/block/taluqa/growth centre levels would have to be created,

which would become the primary cost centres for the whole system. These could have supply arrangements with cooperatives/individual retailers at the village/panchayat level. Wherever necessary, they could also operate mobile shops. At the higher level, they could have linkages with Civil Supplies Corporations and other existing bodies such as State Consumer Federations and others dealing with the whole range of commodities to be brought into the system. The Civil Supplies Corporation at the State level and the retail outlet at the village level would constitute the other cost Centres of the system. The viability of the system should be based around these cost Centres, so far as possible on the basis of self sustenance.

Public Distribution System should also help to create a large consumer movement and system in the country for a large number of consumer/wage goods including <sup>those</sup> presently categorised as essential commodities, and even for day to day requirements of rural producers, such as small hardware items, fertiliser, insecticides, pesticides, etc. In its present form the system is more regulatory or relief oriented. Such a wider role, would also help to take care of the vital question of viability which has so far been a major bottleneck.

These objectives can be fulfilled in adequate measure only when there is a widespread net work of fair price shops throughout the country, assurance of timely and adequate supply of essential commodities and professionally trained competent managerial personnel are available at the State and district level to cope with the various problems of the PDS. Time has come to enlarge, improve, strengthen and stabilise the PDS during the Seventh Plan. There are some States

where basic infrastructure has been well established, there are other States where it is still to be well developed while some still have weak infrastructure. The Seventh Five Year Plan may perhaps envisage a proper development of infrastructure all over the country and it is therefore necessary to think of the role of the public distribution system from the multi-dimensional angle of supply of essential commodities, easy access of consumers to fair price shops, availability of proper infra-structure, development of proper monitoring and supply information system as well as training of staff at various levels engaged in the task of distribution of essential commodities. Public distribution system should be made a part of the minimum needs Programme of the Plan and in order to achieve this objective, investments in creating requisite infra-structure should also form part of the minimum needs programme.

#### Strategy of the Seventh Five Year Plan

In the light of the various problems, constraints, need for proper coordination and advance logistic planning as discussed above, it is proposed to specifically direct attention during the Seventh Five Year Plan to the following task on a priority basis:-

i) A clear conceived action programme to be drawn up for expansion and strengthening of the net-work of fair price shops in rural areas with special attention on opening retail outlets in the remote and inaccessible areas so that the PDS becomes complementary to the poverty alleviation programme.

ii) The arrangements at the national level for procurement of various essential commodities should be kept under



continuous watch to ensure the supplies are regular and timely and the <sup>commodities</sup> supplied are of acceptable quality.

iii) Concerted efforts should be made to enlarge the commodity coverage of fair price shops and thereby improve their economic viability.

iv) The Plan assistance should be given to State Governments/U.T. Administrations for infra-structural development of Civil Supplies Corporation and also for construction of godowns in rural areas.

v) There should be close supervision and regular monitoring of the PDS to ensure its effective functioning and timely action to remove difficulties and short-comings that may be observed.

vi) Development of professional manpower to ensure higher productivity as well as to develop a sense of cost consciousness at various levels of the operation of public distribution system.

Projection of the expected off-take of foodgrains under PDS

Increased money incomes, the resultant improvement in the living standard of the people, growth of population and increased employment generation are expected to create greater effective demand for essential commodities and articles of mass consumption. Since the entire population is to be covered by the public distribution system the demand from various States on enhanced allocations of wheat and rice from the Central Pool are likely to be on a higher side. Though no precise projections for increase in production are available, it can be safely presumed that

during the Seventh Five Year Plan, the production level would go up. It is, however, seen that allocation of wheat, rice and kerosene to various States is largely made on historical basis though due consideration is given in the case of rice and wheat to the existing stocks in the Central Pool, availability of market conditions in a particular State, etc. Sometimes the State representatives complain that frequent cut in allocations of wheat and rice affect their plans of operations which they plan to operate on the basis of certain assured quantities of allocations by the Centre. It is perhaps necessary to evolve a rational system so as to determine a precise figure which could be operated upon throughout the year. While rationality of such demand is unquestionable it has also be appreciated that successful operation of the PDS requires joint coordination of the Central and State Governments in the matter of procurement of wheat and rice. It is, therefore, desirable that the State Govts. should exert fully to procure wheat and rice. There should be no complacency in this regard on the ground that some States are deficient States. The concept of deficient State is obviously based on total aggregation of production in a particular State and that does not mean that there will be no marketable surplus of wheat and rice in the State. The effective role of the PDS vis-a-vis the market economy can be built-up effectively only on the basis of pooling up contributions both by the Central and the State Governments. There should, therefore, be a Standing Committee comprising of representatives of the Central Departments/Ministries administering the present seven essential commodities. The Deptt. of Civil Supplies shall have nodal responsibility. This Committee will review from time to time availability and supply of the designated essential commodities and also consider bringing in any

additional commodity under Public Distribution System. There should be an adequate buffer stock for all the seven commodities in order to achieve the objective of price stability. Quantity to be given to the States should be decided on long term basis. This Committee will look into this aspect and also decide on locational position of stocks.

The priority to expansion of the PDS particularly to rural and far-flung areas may perhaps form the basis for determining the role of the PDS in the Seventh Five Year Plan. While necessary steps to develop the requisite infra-structure in various States have to be taken the allocation of wheat and rice under the PDS should be aimed at reaching the level of 30 million tonnes by the year 1989-90 taking into account the growth in population, wider rural coverage and increasing demand on PDS because of the price differential of commodities under PDS vis-a-vis open market prices. This target may not be difficult to achieve with having regard to the increasing trend in agricultural production. There is no gain saying the fact that in years of normal production when supply situation is normal, people do not turn to fair price shops. The other variables that influence demand are prices, income, taste and seasonal factors. When the difference between open market prices and ration prices is pronounced, people try to purchase cereals from the fair price shops. In rural areas during harvesting season even the surplus is sold at a low price.

harvesting season even the landless labourers do not depend upon the fair price shops for meeting their basic requirements. Seasonality is an important factor in rural areas particularly in case of landless labourers who remain unemployed for about five months in a year. These are of course the special features of the rural economy but with all limitations, PDS has to be expanded and strengthened both in its scope of its coverage as well as quantum of supply in the rural areas so that it is in a position to meet the requirements of the people particularly vulnerable sections of the population not at prices determined by the forces of supply and demand but at a predetermined reasonable price through the PDS. The price restraining impact of PDS supplies can be effective only when there is a progressive increase in magnitude of supplies. The objective of the PDS in the Seventh Five Year Plan should be to increase the relative share of PDS in total food supplies to an extent that it is able to provide foodgrains to the general masses of people particularly vulnerable sections of the society at reasonable prices.

Arrangement for supply of coarse grains, pulses and tea leaves.

At present the Central Government has assumed responsibility for supply of seven essential commodities viz. rice, wheat, sugar, edible oils, kerosene oil, controlled cloth and soft coke. The State Governments are free to add to this list of commodities any essential commodity which they consider necessary from the point of view of mass consumption requirements of the common man. While States have been given flexibility for inclusion of additional items on the basis of assessment of all relevant



factors including arrangements for ensuring speedy and regular supplies to the retail outlets, there have been suggestions that there are certain items such as coarse grains, pulses and tea leaves for which arrangements should be made on All-India level.

The production of coarse grain is concentrated mainly in States like Maharashtra, Madhya Pradesh, Karnataka, Gujarat, Rajasthan, U.P. and Andhra Pradesh. Coarse grains are mainly consumed in the States where they are cultivated. They are the staple food of the poorer sections of the population in these States. Pulses are very essential item of consumption and the consumption of pulses is more or less evenly distributed through out the country. The domestic demand <sup>for</sup> loose tea has of late increased significantly and tea has almost become equally popular in the rural areas. Out of the domestic requirement of 400 million kg. of tea, nearly 270 million kg. of tea are sold in loose form. The year 1983 witnessed a quick spurt in the prices of loose tea so much so that the price of loose tea of one kg. went as high as Rs.38/- from Rs. 23/-.

All India production of coarse grains, pulses and tea during the last few years is given as below:-

	(Lakh tonnes)			
<u>Coarse grains</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Jowar	110.47	104.30	120.62	106.76
Bajra	39.48	53.43	55.37	51.30
Maize	56.03	69.57	68.97	62.74
Ragi	27.21	24.20	29.61	26.11
Total	<u>239.19</u>	<u>251.50</u>	<u>274.57</u>	<u>246.91</u>

Pulses:

Arhar	17.57	19.58	22.37	19.19
Gram	33.57	43.28	46.42	50.92

Total (including other pulses)	85.72	106.27	115.07	115.69
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					(M.Kg.)
Tea	<u>1977-78</u>	<u>1978-79</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
	556	564	570	560	565

Some of the State Governments have already introduced coarse grains as one of the items for sale under the PDS. The Government announces support price for the coarse grains and the State Governments through their ear-marked agencies procure coarse grains for distribution through PDS taking into account the overall requirements. Procurement of coarse grain has been left to the discretion of the State Governments mainly because coarse grains have essentially regional demand and they have very limited storage life. Considering the fact that coarse grain has limited shelf life and restricted demand, it would perhaps be advisable that the primary responsibility for the procurement of these grains is placed on the State agencies. It may, however, be necessary to integrate the operations of the State agencies in the overall food management operations with a view to linking their procurement operations with their disposal under the PDS. The supply of coarse grains in the area where they are grown, through PDS will help the poorer sections of the society to get the grains of their choice at concessional price.

As regards pulses, the level of production has been around 11-12 million tonnes for the last several years. It may not therefore be possible to undertake procurement and distribution of pulses on a sustained basis through the fair price shops and other appropriate retail outlets till a major break through is achieved in the production of pulses. Nevertheless, a firm arrangement on All-India basis has to be made as the prices of pulses have been ruling at much higher price than the support price. NCCF and NAFED should be given a larger role for making large purchases of pulses and supply them at reasonable prices through the net-work of cooperatives and super bazar. Necessary financial assistance should be given by the Government of India to these agencies, for setting up dal mills etc. Since tea has become an item of mass consumption and the average rate of growth in domestic demand is likely to be more than the average rate of growth in tea production, it seems necessary to bring tea under some monitored distribution system through intervention of a public sector agency in the market on a permanent basis. At present TTCI and NCCF have entered the domestic market but their activities as compared to total consumption are almost insignificant. To create an impact as well as to be able to make competitive sales at lower prices their share in the domestic market will need to be considerably enhanced so as to market a minimum of 10% of the total market demand of 270 million kg. in loose form through a Govt. controlled distribution net work. Both TTCI and NCCF can undertake this responsibility in a coordinated manner. The entire operation for supply of tea to State Civil Supplies Corporations and State Consumer Federations may be made on non-profit-no-loss basis or on nominal profit basis to avoid an element of competition between the TTCI and NCCF in

respect of prices. Similarly the modalities of distribution of tea by them to various State agencies may be worked out at the Central level. State bodies may also operate on the basis of nominal profit so that it may be possible to sell tea at reasonable prices with little variation if not at uniform prices throughout the year through PDS.

Criteria for opening of retail outlets under PDS

The basic parameters for opening of fair price shops should be based on the criteria of area and population covered. Some States at present have adopted restrictive norms based on income criterion in respect of certain articles. While it may be preferable to restrict the benefits of PDS to the vulnerable sections of the population (on the basis, inter alia, of land holdings or monthly income) most of the States have expressed practical and administrative difficulties in identifying the eligible sections and confining the distribution to them alone. For this reason the system may continue to be operated on area basis leaving restrictions on income criterion to be decided by the States depending on local conditions and factors. While evolving parameters on rational basis due cognizance may be taken of the urban-rural syndrome. Since most of the urban dwellers, unlike rural areas, depend upon the market for meeting their requirements of wheat, rice etc. it is generally expected that a large segment of the population would be drawing their ration from the fair price shops. The criterion of 2000 persons and a maximum distance of 2 km. for a fair price shop may be laid down in respect of cities and towns with a population of one lakh and above. In rural areas the objective should be to ensure that every village or group of villages having a population of 2000 persons and above has a fair price shop. The



headquarters of a village panchayat, irrespective of its population, may have a fair price shop. In other cases villagers need not travel for more than 3 km for going to a fair price shop. In remote and inaccessible areas particularly in tribal areas the population covered by a village or a cluster of villages could be even less than 2000. In far-flung areas, State Governments could be advised to open more mobile shops.

At present the total number of fair price shops in the country as on 1-4-1984 is 3.05 lakh. The objective should be to raise this number to 3.50 lakh by the end of Seventh Five Year Plan. At present the number of retail outlets in the cooperative sector including those opened by the Civil Supplies Corporations is nearly 30%. There is predominance of fair price shops being owned by private individuals at present. There are usual complaints that fair price shops run by private agencies are beset with malpractices and pilferages. There is a tendency on the part of the private individuals to make money through dubious means or at the cost of satisfaction of the consumers. The long-term objective should therefore be to give responsibility of running fair price shops either by the cooperatives or the Civil Supplies Corporations. While it will be difficult to eliminate the running of fair price shops by private individuals, it could be decided as a matter of policy that the fair price shops should be run ultimately by the Government or quasi-government agencies like Civil Supplies Corporations or cooperatives. The target share of the cooperatives and Civil Supplies Corporation could be at least fixed at 66% in the total number of fair price shops in the Seventh Plan.

Commodity coverage and viability of FPS

The viability of fair price shops is an important issue from the point of view of effectiveness of PDS. The viability of a fair price shop is<sup>a</sup> multi-di-mensional phenomenon and the variables affecting the viability of a fair price shops are its turn over, cost of running a fair price shop and margin permitted on gross turn over. Most of the States have expressed difficulties in increasing the number of fair price shops as in many cases they are not economically viable. The Sixth Five Year Plan had observed that since neither the private sector nor cooperative volunteer to go to inaccessible areas, specially areas inhabited by the tibal and weaker sections of the community because of cost-constraint, the State Government will have therefore to shoulder this burden through their own Civil Supplies Corporations or other suitable agencies. It had recommended for the grant of some subsidy to retail outlets in such areas in the initial years of their operations. Apart from the supply of seven essential commodities the State Governments/U.T. Administration have been given desc~~re~~tion to include as many items of mass consumption so as to achieve the twin objective of making fair price shops viable as well as supply essential consumer goods to the public at competitive rates. Recently the manufacturers of certain consumer articles of mass consumption such as matches, soap, torch cells, razor blades cycle tyres and tubes have agreed to supply their products to agencies nominated by the State Governments on the same terms at which they supply to their wholesale distributors. Sale of these items on which there is a margin of 15-20% between the wholesale and retail prices will add to the viability of the fair price shop. Some of the State Governments have already arranged for large number of articles of mass consumption sold through the fair price shops.

Grant of managerial subsidy

An important point to consider is whether some arrangements could be made for subsidising the cost of running of fair price shops. At present there is no uniform pattern for operation of the fair price shops. While in some States like Tamilnadu, U.P., Madhya Pradesh, Himachal Pradesh, there is predominance of fair price shops falling under the cooperative sector, in other States they are run mostly by the private individuals. There has been suggestion from the States that State Civil Supplies Corporations and cooperative running fair price shops should be given some managerial subsidy as the accommodation, remuneration to the salesman, etc. do not match the return out of the running of fair price shops by these agencies. Since the Civil Supplies Corporations in conjunction with the State Cooperative Federation will have to play an increasingly important role in setting up retail outlet particularly in tribal and inaccessible areas, it will be necessary to evolve a system of plan assistance for giving assistance to open such retail outlets in the form of fixed subsidy taking into account the criteria of cost of hiring of accommodation, expenses on provisions of permanent fixtures, turn-over, etc. This subsidy need not however be a self-perpetuating system and the fair price shops have to be self supporting within a period of three years. As a matter of policy efforts should be made to make the retail outlet viable by adding other fast selling items which are popular or are commonly required in the rural areas.

The Sixth Five Year Plan has stated that for the successful operation of the PDS, it would be necessary to set up Civil Supplies Corporation or strengthen the

existing Civil Supplies Corporations. At present there are 13 Civil Supplies Corporations working in the entire country. The exact information as regard to the present paid up share capital of these Corporations is not available. However, Tamilnadu Civil Supplies Corporation has got a paid-up share capital of Rs. 19.90 crores and its turn over in the year 1983-84 was of the order of nearly Rs.423 crores. The total paid-up share capital of the 13 Corporations on a broad estimation may be in the vicinity of Rs.65-70 crore. During the Sixth Five Year Plan an outlay of Rs.3 crore was provided for giving Plan assistance to the Civil Supplies Corporation to be set up in the North-Eastern Region, Jammu & Kashmir, Himachal Pradesh and Andaman & Nicobar Islands and Lakshadweep Islands. Save and except Himachal Pradesh which has set up a Civil Supplies Corporation no other State has set up a Civil Supplies Corporation.

There had been demands from other States to give financial assistance to their Civil Supplies Corporations to enable them to expand as well as diversify their activities. Unless they are given suitable financial help it would not be possible on their part to develop suitable infra-structural facilities for efficient functioning of the PDS in the rural areas. In the Seventh Five Year Plan it is therefore recommended to make sufficient provision of funds for giving financial assistance to Corporations already existing and to those which may be set up. On a broad view a provision of Rs.50 crores for additional contribution to the share capital of the new as well as existing Civil Supplies Corporations may be made. Additional provision of Rs.15 crores may also be made for construction of godowns in rural areas to ensure adequate storage facilities. Particular attention in such cases will have to be given to build up



storage capacity for stocking essential commodities for remote and inaccessible areas so that regular supply of such areas may be ensured even during the period of inaccessibility. The requirement of storage for PLS may be dove-tailed with those of marketing of agricultural produce and stocking of fertilizers and other inputs in a coordinated programme of creating additional storage capacity by the various agencies drawn and implemented.

#### Importance of Productivity in the PDS

The effectiveness of PDS depends upon the extent to which it is able to maintain supply from the stage of procurement of commodity upto the final distribution to the consumer. In other words, the ultimate test of the system is its ability to ensure proper and adequate supply of essential commodities through the retail outlets. It, apart from highlighting the nexus between procurement, transportation, storage and distribution, also underlines the need for improving productivity in PDS. The broad indicators of productivity so far as the PDS is concerned, are, broadly speaking, its cost effectiveness and greater consumer satisfaction. The Central and the State agencies dealing with PDS should strive it to improve the logistic planning and coordination for uninterrupted supply of essential commodities of right quality to fair price shops. For this, it will be desirable that the State Civil Supplies Corporations give their immediate attention for introducing effective and efficient managerial system and should take all possible measures for achieving cost maximisation so as to reduce the burden to the consumer.

### Management Training

It would therefore be necessary to train staff at various levels involved in the running of the Public Distribution System. In the PDS, between the stage of procurement to the distribution of essential commodities to the card holders a large number of agencies are involved dealing with various operations such as handling, transportation, storage, sale, etc. Because of multiplicity of handling, cost effectiveness assumes great importance and its contribution to improved productivity is reflected in the assessment of its operations in economic terms i.e. size of the output versus cost. A few indicators of efficiency could embrace areas like-transportation cost per tonne, per km., handling cost per bag; storage cost per unit, quantity lost per unit of quantity stored or quantity moved. Similarly the effectiveness of the PDS can be measured in terms of inspections made by the inspecting staff for checking the working of the fair price shops, number of cases launched under the Essential Commodities Act and stock level kept at various storage and distribution point compared to norms, etc. For achieving these objectives it is essential that staff at various levels are given training so as to acquire necessary skill and techniques. A beginning was made in the Sixth Five Year Plan to give training to senior officers of all the State Governments at the IIM, Ahmedabad and it is also planned to organise some courses in cooperation with the Indian Institute of Public Administration and some State Government Training Institutes. The funds provided during the Sixth Five Year Plan for the purpose were quite inadequate as compared to the size and dimension of the problem. During the Seventh Five Year Plan a scheme of training will have to be undertaken on a larger scale so that the staff employees

either by the Department of Civil Supplies or Civil Supplies Corporations are given training to understand fully the various ramifications of PDS.

Since the Central Government has assumed financial responsibility of a considerable magnitude for making available these seven essential commodities to State Governments it is equally desirable that the benefit of subsidy on buffer stocking etc. is not neutralised by imposition of taxes and levies on such commodities by the State Governments. The margin between the Central Issuer Price and the end-retail prices should be the minimum and for this purpose it is necessary that the State Government should not add over-heads which would defeat the basic idea of PDS. All the States should agree to distribute such commodities within the margin as fixed by the Central Government. Since the profit margin for fair price shops in respect of foodgrains is in many cases out of line with the present cost of living, it is necessary that a committee of the Central Government with which some representatives of the State Governments may also be associated to evolve suitable norms for fixing distribution margin as well as bring about uniformity between the central issue and end retail price of foodgrains.

#### Importance of Monitoring

There should be adequate strengthening both in the Department of Civil Supplies as well as Civil Supplies Department at the State level for the purpose of carrying out a regular monitoring of PDS. From the Department of Civil Supplies there is need for close overseeing of the working of the PDS at first hand in the various States and initiating corrective action wherever there is scarcity or high prices emerging by conducting dialogue at a senior level with the State Governments concerned. It is also

necessary to augment the existing strength of the staff so that officers may be in a position to visit States to carry out an assessment of the working of the PDS at various levels, its difficulties and make suggestions for making further improvement. In some of the States, PDS has been working successfully and through such visits it might be possible to suggest to other States the measures adopted by those States where PDS has been relatively successful. Monitoring at the central level should be mainly oriented towards imparting desired strength to the operational systems, particularly, at the field level, efficient functioning through an inbuilt system of proper co-ordination between allocation and distribution and re-inforcement of the faith of the consumers through timely and good quality of cereals and quick redressal of their difficulties. In meeting this requirement, a lot of input in the shape of additional staff would become concomitant of the programme designed to bring improvement in the system through sustained interaction and involved analysis of the problems confronting the Public Distribution System. At the State level there should also be proper strengthening of the staff both at District and State level for doing the monitoring of the work. Plan assistance may be given by the Centre for creation of posts both at the Central State Headquarter and the district level.

For the bodies at the State and District levels a pattern for staffing and operations could be evolved in consultation with representatives of some States where Civil Supplies Corporations and district level bodies are in existence, so as to enable the preparation of appropriate guidelines and identification of areas where support from the Central level would be necessary.



### Commodity Planning

One of the important areas of activities at the State level should be with regard to commodity plan both long-term, annual, as well as monthly. Such planning would be required for making assessment about likely production, market arrivals, allocations from Centre, procurement for PDS, etc. In the light of such annual exercise the Department of Civil Supplies Corporation or State Consumer Federations should work out a monthly working plan relating to lifting of foodgrains from the FCI and other agencies, allocations and special allocations to various districts, taluka, based on the objective criteria of past allocations and off-take, open market availability and in special circumstances prevailing in a district, taluka or block. There should be continuous monitoring to see whether the operations are carried <sup>out</sup> by all the units in the supply management system according to plans, whether there is regular supply of foodgrains to the card holders both in the urban as well as rural areas and whether the fair price shops have lifted stocks within the prescribed time. Such monitoring should also cover detailed information in regard to the behaviour of prices in the open market and cases of any shortages having occurred in any area. The objectives of monitoring, broadly speaking, should be to ensure regular and convenient availability of essential commodities to the card holders at a specified prices, to keep a check on the open market prices and availability of essential commodities and to prevent speculative hoarding, blackmarketing, etc. for the maintenance of adequate supplies of essential commodities.

Supply Management Information System

In the Sixth Five Year Plan, Indian Institute of Management, Ahmedabad was asked by the Department of Civil Supplies to develop a proper supply management information system both at the national and State level so as to ensure regular and continuous flow of information in regard to allocation, off-take of essential commodities. Their report has been received and action for introducing a computerised system to facilitate regular flow of information at the Central level is already under contemplation. It is, however, essential that every State should have a system of reporting from the block to district headquarters and from district headquarters to the State headquarters. This information has to be analysed at the district level with a view to taking necessary steps which are possible both in the area of distribution and enforcement. The supply information system should be equally developed at the State headquarters to see that the problems of shortages and supply are solved expeditiously and at the same time necessary action is taken with the Central Government agencies for arranging supplies and over-coming bottlenecks.

There have been representations from the State Governments that the cooperatives and Civil Supplies Corporations dealing with essential commodities should be given a concessional rate of interest. They have been contending that since public distribution system deals with essential commodities it should be taken as an essential part of the integrated rural development programme. Those agencies should be provided with a re-financing facilities specially for the rural areas on the same scale as is applicable from NABARD to agencies dealing with agricultural production and marketing. At present there is also

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difference between the rate of interest between the co-operative agencies and Civil Supplies Corporations for handling the same type of essential commodities. That difference seems to be inequitable and it should be brought on a par purpose.

To sum up, following plans of assistance are suggested in the Central Sector:-

		(Rs. in crores)
i)	Share capital contribution to Civil Supplies Corporations .....	50
ii)	Construction of godowns .....	15
iii)	Subsidy for retail outlets in remote, tribal and inaccessible areas .....	8
iv)	Monitoring, management training, supply management information system .....	4
TOTAL		<u>77 Crores</u>

Annexure 'A'

Net production and net availability of cereals and  
PDS offtake as % of Net Production and Net Availability

Year	Net Production (million tonnes)	Net avail- ability (million tonnes)	PDS offtake (million ton)	Offtake as % of Net production	Offtake as % of net ava- ilability
1956	50.43	52.42	2.08	4.12	3.97
1961	60.89	64.55	3.98	6.54	6.17
1962	61.85	65.85	4.37	7.07	6.64
1963	60.19	64.76	5.18	8.16	8.00
1964	61.79	69.29	8.67	14.03	12.51
1965	67.33	73.72	10.08	14.97	13.67
1967	57.65	66.57	13.17	22.84	19.78
1968	72.58	76.23	10.22	14.08	13.41
1969	73.14	76.53	9.39	12.83	12.26
1970	76.83	79.29	8.84	11.50	11.15
1971	84.53	83.99	7.82	9.25	9.31
1972	82.32	86.52	10.49	12.74	12.12
1973	76.23	80.13	11.41	14.96	14.26
1974	82.82	83.38	10.79	13.03	12.21
1975	78.59	80.57	11.25	14.31	13.96
1976	94.50	84.43	9.17	9.70	10.86
1977	87.33	89.04	11.74	13.44	13.165
1978	100.13	99.56	10.28	10.17	10.22
1979	104.75	104.66	11.66	11.13	11.20
1980	83.49	93.79	14.99	16.94	15.98
1981	104.49	104.25	13.01	12.50	12.41
1982	106.56	106.87	14.77	13.86	13.82
1983	102.18	103.28	16.23	15.88	15.71

SOURCE: Economic Survey 1983-84.



PROBLEMS RELATED TO THE PRODUCTION AND  
DISTRIBUTION OF COARSE GRAINS: CHAP.III,  
REPORT OF THE COMMITTEE ON ESSENTIAL  
COMMODITIES AND ARTICLES OF MASS CONSUMPTION,  
GOVT. OF INDIA, NEW DELHI, 1973.

COARSE CEREALS

PROBLEMS RELATED TO THE PRODUCTION AND DISTRIBUTION OF  
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COARSE CEREALS

Coarse cereals include jowar, bajra, maize, ragi, small millets and barley. Though their contribution to total net availability of cereals for human consumption shows a declining trend over the past decade, these still account for about a quarter of the total consumption. Details are given in the attached statement 3.1. In the States of Maharashtra, Gujarat, Mysore, Rajasthan, Uttar Pradesh, Madhya Pradesh and Andhra Pradesh, coarse cereals are the staple diet of large numbers. Substantial numbers in other states also, particularly among the poor strata, live principally on coarse cereals or supplement the available supplies of wheat and rice by coarse cereals.

3.2 Jowar is grown in both kharif and rabi seasons. Bajra, maize and ragi are mainly kharif crops, though maize is also grown to a small extent in summer in some parts of the country. Barley is a rabi crop. Uttar Pradesh, Rajasthan, Mysore, Maharashtra, Madhya Pradesh, Gujarat and Andhra Pradesh account for about 75 per cent of the total production of coarse cereals. State-wise data on average area and output for the triennia ending 1964-65 and 1971-72 are given in the attached statement 3.1.

3.3 Generally, coarse cereals are grown under rainfed conditions. Arid and semi-arid lands account for a substantial area. The percentage of irrigated area to total area is highest in the case of barley, being about 50 per cent. In the case of maize, only 18 per cent of the sown area is under irrigation. Jowar and bajra, the two most important coarse cereals, have as low as about 4 per cent of the area under irrigation. The average for all the cereals taken together works out to about 10 per cent. The position for 1969-70, the latest year for which data are available, is given below:

Table 3.1: Coarse Cereals, Irrigated area to Total Area, 1969-70

Million hectares			
Crop	Irrigated area	Total area	1 as % of 2
0	1	23	3
Jowar	0.7	17.0	4.1
Bajra	0.5	12.3	4.2
Maize	1.1	5.8	18.2
Ragi	0.4	2.5	16.0
Barley	1.4	2.8	50.0
<u>Total</u>	<u>4.1</u>	<u>40.4</u>	<u>10.1</u>

3.4 The coarse cereals have had a much slower rate of growth than the superior grains (wheat and rice taken together). The average output of superior grains in the triennium ending 1971-72 was 37.3 per cent higher compared to the average output in the triennium ending 1964-65 while in the case of coarse cereals the corresponding increase was only 11.6 per cent. The average compound rate of growth for the seven year period works out to 4.6 per cent for superior grains as against only 1.6 per cent for coarse cereals.

3.5 As brought out in the attached statement 3.2, one reason for sluggish growth of output of coarse cereals has been the fact that only in Gujarat, Madhya Pradesh, Orissa, Rajasthan and Punjab-Haryana, there has been a sizeable increase in areas in recent years. In all other cases, the area has either decreased or remained stagnant. There is also the factor that when a dry area is brought under irrigation, it often tends to be diverted to superior grains or non-food crops. The area under coarse cereals largely remains un-irrigated and low yielding. Finally, except in the case of

bajra, the high yielding varieties programme has not made much headway. There has thus been no significant improvement in per hectare yields. In the case of jowar the yield per hectare has, in fact, declined.

3.6 Jowar is the most important coarse cereals, accounting for about 30 per cent of the total output of these cereals. It is grown both in kharif and rabi seasons. The main producing States are Maharashtra, Mysore, Madhya Pradesh and Andhra Pradesh. These account for about 80 per cent of the total output. Rabi Jowar accounts for about 30 per cent of the total output. There has been a sizeable decline in jowar output in the triennium ending 1971-72 compared to the triennium ending 1964-65. This is accounted for by decline in both area and yield. Except for Mysore where there has been an increase in area as well as yield, output has declined in all major producing States, particularly Maharashtra. Apart from the fact that during the last three years whether has been particularly adverse to jowar, the hybrid jowar programme does not seem to have made any tangible impact except in Mysore. Production data in respect of jowar are given in the attached statement 3.3.

3.7 Bajra is the next most important coarse cereal. The important producing States are Rajasthan, Gujarat, Uttar Pradesh, Haryana and Maharashtra which, among themselves, account for 80 per cent of the total output. Unlike jowar, Bajra has registered a high rate of growth in production. The average output in the triennium ending 1971-72 was 51.5 per cent higher than in the triennium ending 1964-65. This gives an average annual compound rate of growth of 6.1 per cent. The major contribution has come from improvement in yield per hectare. This is despite of the fact that bajra is predominantly a rainfed crop. The substantial increase in productivity has been



made possible by the success of the hybrid bajra programme. Rajasthan, however, remains largely unaffected. If 1970-71 is excluded, as it had an exceptionally favourable season, the average yield in this State has registered only a marginal increase. If the hybrid bajra programme catches on also in Rajasthan, substantial further increases in total output could be hoped for. Production data for bajra are given in the attached statement 3.4.

3.8 Maize is predominantly a kharif crop, though it is also sown to a small extent in Bihar and Mysore during the summer seasons. The important producing States are Uttar Pradesh, Punjab, Rajasthan, Bihar, Madhya Pradesh, Gujarat, Andhra Pradesh and Mysore which together account for about 82 per cent of the total output. Average output in the triennium ending 1971-72 was 31.5 per cent higher compared to the triennium ending 1964-65. The average annual compound rate of growth for this period works out to 4 per cent. Unlike bajra, the increase is attributable mainly to expansion of area rather than improvement in productivity. This is so in spite of the fact that over 18 per cent of the area under maize is irrigated as against about 4 per cent under bajra. Production data on maize are given in statement 3.5.

3.9 Major ragi producing States are Mysore, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Maharashtra. The average output in the triennium ending 1971-72 was barely 6 per cent higher than the average for the triennium ending 1964-65. There has been a small improvement in productivity while the area has virtually remained unchanged. State-wise details are given in statement 3.6.

3.10 Small millets are mainly grown in Andhra Pradesh, Tamil Nadu, Madhya Pradesh, Uttar Pradesh, Mysore, Gujarat and Bihar. These States account for about 90 per cent of the total output. The average output in the triennium ending 1971-72 was about 8.2 per cent lower than in the triennium ending 1964-65. This fall in output is almost wholly attributable to decline in productivity. Perhaps, the small millets are being pushed on to even more and more inferior lands. The area has remained more or less stagnant. State-wise details are given in the attached statement 3.7.

3.11 Uttar Pradesh and Rajasthan are the most important bajra growing States accounting for about 76 per cent of the total output. The average output in the triennium ending 1971-72 was 14.6 per cent higher compared to the average for the triennium ending 1964-65. During this period, area declined by 8.8 per cent. The 14.6% increase in productivity, therefore, indicates a substantial improvement in productivity. This is, perhaps, attributable to the fact that some 50 per cent of the area under the crop is irrigated. State-wise details are given in statement 3.8.

3.12 The coarse cereals have shown not only a sluggish rate of growth but also large fluctuations in output from year to year. During the five years 1967-68 to 1971-72, total output has ranged from 24.4 million tonnes to 3.6 million tonnes. The principal coarse cereals, namely, jowar, bajra and maize are particularly susceptible to large annual variations in output. During the above five year period, the output of jowar has ranged from 7.7 to 10 million tonnes, bajra from 3.8 million to 8 million tonnes and maize from 5 million to 7.4 million tonnes. Since only a small proportion of the total area, particularly in the case of jowar and bajra, is under irrigation,

vagaries of weather have a large impact on output. Much more than wheat and rice, the coarse cereals are a gamble in monsoons.

3.13 The Steering group on Agriculture, Irrigation and Allied sectors has visualised a substantial increase in the output of coarse cereals during the Fifth Plan period.

Details are given below:

Table 3.2 Projected Increase in area and Output of Coarse Cereals during the Fifth Plan period

Crops	Assumed base level 1973-74		(Area in million hectares)		(Output in million tonnes)	
			Target 1978-79		Increase (%) 1978-79/1973-74	
	Area	Output	Area	Output	Area	Output
1. Jowar	17.5	9.5	18.0	11.0	2.9	15.8
2. Bajra	13.0	6.5	13.5	8.0	3.8	13.1
3. Maize	6.0	6.5	6.5	8.0	8.3	23.1
4. Other coarse Cereals	9.0	6.0	9.0	7.0	-	16.7
<u>Total</u>	<u>45.5</u>	<u>28.5</u>	<u>47.0</u>	<u>34.0</u>	<u>3.3</u>	<u>19.3</u>

3.14 The total output of coarse cereals is projected to go up by 19.3 per cent as against 22.6 per cent increase projected for wheat and rice taken together. The average compound rate of growth works out to 3.6 per cent per annum as against the average rate of 1.6 per cent observed in recent years.

3.15 The increase of 19.3 per cent over the Fifth plan period is to be achieved through 3.3 per cent expansion in area and per cent increase in productivity (yield per hectare). The average annual increase in area works out to 0.7 per cent and that in productivity, 2.9 per cent.

3.16 In consequence of sluggish output against expanding money demand, prices of coarse cereals have shown a general rising trend. While the general trend has been upwards, sharp fluctuations in output have resulted in even sharper fluctuations in prices. In good years like 1970, prices have fallen to unduly low levels while in scarcity year like 1973 these have risen to exorbitantly high levels. These features of prices of coarse cereals are brought out below:

Table 3.3: Index Numbers of Wholesale Prices of Coarse Cereals

1961-62 = 100

Year*	Jowar	Bajra	Maize	Ragi	Barley
0	1	2	3	4	5
1962	119.3	96.4	94.7	92.9	94.4
1963	100.3	91.7	92.4	93.7	96.8
1964	152.1	121.9	136.3	123.7	166.2
1965	169.0	152.4	168.5	183.5	197.1
1966	166.1	159.0	185.4	175.2	211.1
1967	197.5	188.6	273.3	166.3	284.8
1968	185.0	176.8	196.7	179.5	197.3
1969	190.0	189.9	196.9	185.1	196.7
1970	188.9	168.3	200.0	170.4	199.1
1971	204.9	143.0	177.2	173.0	166.8
1972	233.3	202.2	228.2	190.3	218.0
1973-end	297.6	316.8	295.5	231.9	298.7

June

\* Calendar year

3.17 In recent years, only small quantities of coarse cereals have been procured by Government. The maximum quantity procured was 0.77 million tonnes in 1967-68. Since then there has been a steady decline in procurement. In the last few years procurement has fallen to much below even the level attained in the drought years of 1965-66 and 1966-67. As a result, the Government has been in no position to prevent a sharp rise in the price of coarse cereals in 1973. With the onset of the lean season, these prices have attained dizzy heights. Details of procurement are given below:



3.4 Procurement of Coarse Cereals, 1964-65 to 1972-73

(000 tonnes)						
Year	Jowar	Bajra	Maize	Ragi/ Nagli	Total	Delive- red to Central Pool
1964-65	377	42	29	-	448	23
1965-66	483	33	102	-	518	102
1966-67	616	37	19	2	674	9
1967-68	391	114	263	3	771	360
1968-69	331	-	128	5	464	64
1969-70	203	15	55	1	274	70
1970-71	65	86	333	1	485	402
1971-72	26	2	152	1	181	152
1972-73*	70	16	103	-	169	131

\* Up to mid-March 1973

3.18 Issues through the public distribution system have been generally larger than procurement. This was made possible by imports. While there were no imports of coarse cereals during 1970-72, in the current year some imports of millets have been arranged. Data on issues of coarse cereals through the public distribution system have been given below:

3.5 Issues of Coarse Cereals through the public Distribution System 1965-72

(000 tonnes)			
Year	Coarse Cereals	I S S U E Total Food grains	1 as % of 2
0	1	2	3
1965	554	10079	5.5
1966	1812	14085	12.9
1967	2790	13166	21.2
1968	1179	10221	11.5
1969	785	9385	8.4
1970	444	8841	5.0
1971	131	7816	1.7
1972	290	10480	2.8

3.19 Coarse cereals are the poor man's food, even though in certain regions these are more or less a staple diet also of better off sections. It is necessary to ensure availability to the common man at reasonable prices at least in areas where coarse cereals are a staple diet. The only effective long-term solution seems to be in building up the capability of the public distribution system for procurement and issue of much larger quantities of coarse cereals, particularly jowar, bajra and maize than has been the case in the last few years. This task will be facilitated if the envisaged increases in production of coarse cereals materialise. This underlines the importance of effective measure for raising the output of coarse cereals in spite of the fact that irrigation very often leads to diversion of area from coarse to superior cereals.

3.20 In 1966 over 1.8 million tonnes of coarse cereals were issued through the public distribution system. In the following year the quantity rose to the record figure of 2.3 million tonnes. It is doubtful whether issues of this order would be attainable in the Fifth Plan period without large imports which are not contemplated. Moreover the issues will vary in good and bad crop year. Unless the coarse cereals are made available at a highly subsidised price, off-take from the public distribution is likely to go down in a good crop year. On the other hand much larger numbers are likely to depend on issues from the fair price shops in a poor crop year. It would be a reasonable and a realistic target for the Fifth Plan to aim at 1.5 million tonnes of issues in a poor crop year and 0.75 million tonnes in a good crop year.

3.21 In a bad year, while issues have to be stepped up, procurement is likely to be smaller. Larger issues are, therefore, possible only by drawing upon a buffer stock. Apart from the quantum of issues, the buffer stock is related to fluctuations in output. As mentioned earlier, coarse cereals are subject to large such fluctuations in output. This points to the need for building up a larger stock in relation to issues than in the case of coarse cereals. It may be mentioned that, contrary to earlier impression, it is possible to keep coarse cereals in store for a fairly long period. The Agriculture Prices Commission has recommended that a target of about 2 million tonnes of coarse cereals may be aimed at for the near future. However, taking into account the present scarcities as also the constraints on output, the Fifth Plan may aim at building up a buffer stock of one million tonnes. With this size of the buffer stock, it may be possible to sustain issues from the public distribution system at the envisaged rate.

3.22 Adequate procurement is crucial to the fulfilment of the targets in respect of issues and buffer stocks of coarse cereals. In the absence of effective arrangements for procurements, the system would languish and die out. So far, coarse cereals have been purchased in the open market under price support operations except in Maharashtra, where monopoly procurement has been in force, and in Mysore, where a levy on producers has been in operation. A levy on dealers was imposed in Punjab, Madhya Pradesh, Rajasthan and Uttar Pradesh during 1972-73. A suitable package of devices has to be worked out for more effective results in the future.

3.23 In Maharashtra, monopoly procurement of jowar, which is the only major coarse cereal subject to this system, has yielded a diminishing quantity in recent years:

1968-69	275
1969-70	195
1970-71	62
1971-72	33

The monopoly procurement scheme which is operated in Maharashtra, is subject to several loopholes. Lately, it has been yielding rather meagre results.

3.24 In Mysore, too, jowar is the only major coarse cereal subject to procurement. The results achieved in Mysore by levy on producers are even more insignificant than by monopoly procurement in Maharashtra. As shown below, the quantity procured is not even a chicken food.

	(000 tonnes)
1968-69	20
1969-70	8
1970-71	2
1971-72	3

3.25 When the take-over of wheat and rice is established, it will be necessary to extend this also to coarse grains, inter alia, with a view to avoiding the possibility of inter-crop distortions through switch over of area to coarse cereals. Otherwise, in these circumstances, it would be conducive to more efficient management of the food economy, in good as well as bad years, if wholesale trade in all cereals is in public hands. It is, however, necessary to work out adequate arrangements for procurement for the period till such time when the conditions are considered ripe for the take over. For this period, in the light of past experience and the production characteristics of coarse cereals mentioned earlier, we would suggest a combination of an adequate support and procurement price and an appropriate levy as the basic system of procurement. It may be left to the individual State Government decide, in the light of their circumstances and capabilities, where to have a levy and, if so, whether to have it on traders or on farmers



or a suitable combination of the two. In making this choice, the States, will no doubt, have to take into account the system adopted by them for wheat and rice.

3.26 In poor crop years, the procurement price may be fixed at an appropriately higher level than the support price. The support price may be indicated at the beginning of the sowing season while the procurement price may be announced only when the crop prospects are reasonably clear. The success of this system will depend, firstly, on an adequate support price. It must be an effective and not a mere paper price. In other words, it must be fixed at a level which the market price is like to come down to in a good crop year. While the support price may be related to the cost of production, in estimating the former the various cost elements may be allowed on a rather liberal basis. Moreover, the costs may be estimated, not in reference to a good crop year, but an average of good, bad and normal years. Coarse cereals are mostly grown in dry regions which, for want of adequate irrigation facilities, are poor and backward. A liberal support price will also serve the ends of social justice and provide some relief to areas that have not so far had their due share in economic development. In the relatively well off wheat growing regions, an adequate price for coarse cereals will also provide an added incentive to expand area under khariff cereals. In these regions, because of climate reasons, kharif cereals, for example maize, often involve higher costs of cultivation per hectare than wheat in rabi. This factor must be taken into account in fixing the support price for coarse cereals if the wheat growing regions are to be encouraged to put in extra effort into growing Kharif cereals as a second crop in lands which are not suitable for rice.

3.27 The procurement price may be looked upon mainly as a device for procurement. In line with this concept, the procurement price may be fixed only after the crop prospects are quite clear. In poor seasons, it would need to be fixed at a level appropriately higher compared to the support price. In good seasons, the procurement price need not be fixed at a level higher than the support price. The fact that the output of coarse cereals is subject to wide fluctuations means that, in good years, the output can be much above the normal. This, given an adequate price, should make it possible to procure large quantities at the support price. No such opportunity should be allowed to go waste for want of adequate preparations for procurement.

3.28 While adequate support and procurement prices may help to procure substantial quantities of coarse cereals in a good crop season, for pushing up procurement to the levels envisaged above, an element of compulsion will also be necessary. This would be even more necessary in a poor crop year when, unless the procurement price is fixed at an inordinately high level, voluntary procurement is likely to be very inadequate. In the context of the production characteristics of coarse cereals, an element of compulsion may be provided by a levy as discussed above.

3.29 Where a levy on traders is resorted to, its success will depend, apart from a high order of honesty and efficiency on the part of personnel of public procurement agencies, on existence of widespread and efficient system of regulated markets. In several of the main producing States, a fairly good system of regulated markets already exists. In others this will have to be created as a matter of high priority. It is only this way that it can be ensured that a high proportion the marketable surplus actually arrives in markets and is either directly purchased by the public agencies or, at least, becomes subject to the levy on traders.

AVAILABILITY OF COARSE CEREALS FOR HUMAN CONSUMPTION  
1960-61 to 1971-72

(million tonnes)

	Jowar	Bajra	Maize	Ragi	Small mill- ets	Barley	Total cereals	Wheat & Rice	All Cereals	as % of 10	
	1	2	3	4	5	6	7	8	9	10	11
1961	9.8	3.7	4.1	1.9	1.9	2.8	23.8	19.1	45.3	64.4	29.7
1962	8.0	3.6	4.3	2.0	2.2	3.2	23.3	18.6	47.7	66.3	28.1
1963	9.7	4.0	4.6	2.0	1.9	2.4	24.6	19.9	44.9	64.8	30.7
1964	9.2	3.9	4.6	2.0	2.0	2.0	23.7	18.9	50.4	69.3	27.3
1965	9.7	4.5	4.7	2.0	2.0	2.5	25.4	20.2	53.5	73.7	27.4
1966	7.6	3.7	4.8	1.3	1.6	2.4	21.4	18.5	46.3	64.8	28.5
1967	9.2	4.5	4.9	1.6	1.5	2.4	24.1	21.6	45.0	66.6	32.4
1968	10.0	5.2	6.3	1.9	1.9	3.5	28.8	23.5	52.7	76.2	30.8
1969	9.8	3.8	5.7	1.7	1.8	2.4	25.2	20.5	56.0	76.5	26.8
1970	9.7	5.3	5.7	2.1	1.8	2.7	27.3	21.8	57.5	79.3	27.5
1971	8.2	8.0	7.4	2.2	1.9	2.9	30.6	24.4	59.8	84.2	29.0
1972	7.7	5.4	5.0	2.2	1.6	2.5	24.4	19.5	58.9	73.4	24.9

Notes:

1. Figures relate to agricultural year July-June: 1961 figures relate to 1960-61 and so on for other years.
2. Net availability = Net production (gross production minus 12.5 per cent for seed, feed and wastage) plus net imports plus decline in Government stocks. Change in stocks with traders and producers are not known and hence have not been taken into account in computing net availability.

Statement 3.2

Average area and output of Coarse Cereals for the triennium ending 1964-65 and 1971-72

State	Area (Lakh hectares)		Production (Lakh tonnes)	
	Triennium ending 1964-65	Triennium ending 1971-72	Triennium ending 1964-65	Triennium ending 1971-72
0	1	2	3	4
1. Andhra Pradesh	47.1	44.5	25.2	21.8
2. Assam	0.3	0.3	0.1	0.2
3. Bihar	16.0	15.8	12.1	10.5
4. Gujarat	33.1	35.6	16.4	24.7
5. Haryana	-	13.3	-	9.6
6. Madhya Pradesh	43.1	48.7	26.4	25.5
7. Maharashtra	82.9	82.6	40.4	31.3
8. Mysore	50.4	47.9	26.0	33.0
9. Orissa	1.5	4.0	1.0	2.8
10. Punjab	18.9	8.9	11.8	11.2
11. Rajasthan	68.0	72.9	26.2	34.1
12. Tamil Nadu	20.3	20.0	15.9	15.7
13. Uttar Pradesh	53.3	53.4	37.9	34.9
14. West Bengal	1.2	1.3	0.7	1.1
All India	<u>441.9</u>	<u>455.8</u>	<u>245.7</u>	<u>274.1</u>



Statement 3.3

Area and Production of Jowar, Average  
for the Triennium ending 1964-65 and 1971-72

State	Area (Lakh Hectares)		Production (Lakh Tonnes)	
	Triennium 1964-65	ending 1971-72	Triennium 1964-65	ending 1971-72
0	1	2	3	4
1. Andhra Pradesh	25.9	25.9	13.2	11.4
2. Bihar	0.1	0.1	0.1	-
3. Gujarat	14.0	12.8	4.3	4.6
4. Haryana	3.1	2.1	0.5	0.5
5. Punjab				
6. Madhya Pradesh	20.5	22.2	15.3	13.6
7. Maharashtra	61.2	60.1	32.7	22.5
8. Mysore	30.2	27.2	14.4	19.0
9. Orissa	0.1	0.2	-	0.1
10. Rajasthan	11.4	11.0	3.7	4.1
11. Tamil Nadu	7.5	7.2	5.7	5.5
12. Uttar Pradesh	8.8	6.9	5.6	3.9
All India	<u>182.9</u>	<u>175.9</u>	<u>95.4</u>	<u>85.3</u>

Statement 3.4

Area and Production of Bajra, Average for the  
Triennium ending 1964-65 and 1971-72

State	(Lakh hectares)		(Lakh tonnes)	
	Triennium 1964-65	ending 1971-72	Triennium 1964-65	ending 1971-72
0	1	2	3	4
1. Andhra Pradesh	6.5	5.6	3.2	2.8
2. Bihar	0.2	0.1	0.1	0.1
3. Gujarat	14.4	17.8	7.3	14.4
4. Haryana	8.5	10.7	3.3	8.6
5. Punjab				
6. Madhya Pradesh	1.9	2.4	1.4	1.4
7. Maharashtra	17.1	17.7	5.0	6.0
8. Mysore	6.0	5.3	1.3	2.2
9. Orissa	0.1	-	-	-
10. Rajasthan	44.5	48.7	10.2	16.2
11. Tamil Nadu	4.5	4.8	3.0	3.2
12. Uttar Pradesh	10.3	10.3	6.1	7.2
All India	<u>113.0</u>	<u>123.9</u>	<u>41.2</u>	<u>62.4</u>

Statement 3.5

Area and production of Maize, Average for the  
Triennium ending 1964.65 and 1971-72

State	Area (Lakh hectares)		Production (Lakh tonnes)	
	Triennium 1964-65	ending 1971-72	Triennium 1964-65	ending 1971-72
0	1	2	3	4
1. Andhra Pradesh	2.1	2.4	1.9	3.0
2. Assam	0.2	0.3	0.1	0.1
3. Bihar	9.0	9.2	7.9	7.0
4. Gujarat	2.3	2.8	2.8	3.9
5. Haryana	5.5	6.6	6.4	9.9
6. Punjab				
7. Madhya Pradesh	4.9	6.0	5.4	5.0
8. Maharashtra	3.3	0.4	0.2	0.4
9. Mysore	0.2	0.7	0.1	2.1
10. Orissa	0.2	0.8	0.2	0.6
11. Rajasthan	6.	7.7	7.2	7.3
12. Tamil Nadu	-	0.1	-	0.1
13. Uttar Pradesh	10.9	15.0	8.9	12.8
14. West Bengal	0.5	0.5	0.4	0.4
All India	<u>46.1</u>	<u>57.8</u>	<u>46.1</u>	<u>60.6</u>

Statement 3.6

Area and Production of Ragi, Average for the  
Triennium ending 1964-65 and 1971-72

State	Area (Lakh hectares)		Production (Lakh tonnes)	
	Triennium 1964-65	ending 1971-72	Triennium 1964-65	ending 1971-72
0	1	2	3	4
1. Andhra Pradesh	3.4	2.9	2.9	2.5
2. Bihar	1.8	1.6	1.0	0.8
3. Gujarat	0.7	0.5	0.6	0.5
4. Kerala	0.1	0.1	0.1	0.1
5. Madhya Pradesh	0.2	0.2	-	0.1
6. Maharashtra	2.3	2.2	1.7	1.7
7. Mysore	10.8	10.5	8.7	8.8
8. Orissa	0.7	1.5	0.4	1.4
9. Tamil Nadu	3.3	3.1	3.5	3.2
10. Uttar Pradesh	1.8	2.6	1.4	2.3
11. West Bengal	0.1	0.1	-	0.1
All India	<u>25.2</u>	<u>25.5</u>	<u>20.3</u>	<u>21.5</u>



Statement 3.7

Area and production of Small Millets, Average for  
the Triennium ending 1964-65 and 1971-72

State	Area (Lakh hectares)		Production (Lakh tonnes)	
	Triennium 1964-65	ending 1971-72	Triennium 1964-65	ending 1971-72
0	1	2	3	4
1. Andhra Pradesh	9.7	7.7	4.0	2.1
2. Assam	0.1	0.1	-	-
3. Bihar	2.2	2.2	1.0	1.0
4. Gujarat	1.8	1.5	1.4	1.3
5. Haryana	0.2	0.2	-	-
6. Punjab	0.2	0.2	-	-
7. Kerala	0.1	0.1	-	-
8. Madhya Pradesh	13.9	16.3	3.0	3.8
9. Maharashtra	2.0	2.1	0.8	0.8
10. Mysore	4.3	4.2	1.4	0.9
11. Orissa	0.5	1.6	0.3	0.6
12. Rajasthan	0.8	0.7	0.3	0.3
13. Tamil Nadu	4.9	4.6	3.8	3.6
14. Uttar Pradesh	5.6	4.9	2.9	2.8
15. West Bengal	0.1	0.1	-	0.1
All India	<u>46.5</u>	<u>46.8</u>	<u>19.5</u>	<u>17.7</u>

Statement 3.8

Area and Production of Barley, Average for  
the Triennium ending 1964-65 and 1971-72

State	Area (Lakh hectares)		Production (Lakh tonnes)	
	Triennium 1964-65	ending 1971-72	Triennium 1964-65	ending 1971-72
0	1	2	3	4
1. Bihar	3.4	2.5	2.1	1.6
2. Gujarat	-	0.1	-	-
3. Haryana	1.5	1.7	1.4	2.0
4. Punjab				
5. Madhya Pradesh	1.6	1.7	1.3	1.6
6. Rajasthan	4.4	4.8	4.8	6.2
7. Uttar Pradesh	15.9	13.7	13.0	14.1
8. West Bengal	0.4	0.6	0.2	0.5
All India	<u>28.3</u>	<u>25.8</u>	<u>23.3</u>	<u>26.7</u>

SOME ASPECTS OF PUBLIC DISTRIBUTION  
OF FOODGRAINS IN INDIA

P.S. GEORGE

SOME ASPECTS OF PUBLIC DISTRIBUTION OF FOODGRAINS  
IN INDIA

P.S. George

AGENCIES INVOLVED AND  
THEIR FUNCTIONS

The Government of India, State Government, and a number of other agencies are involved in arranging procurement, movement, storage and distribution. At the Central level, the department of food provides policy directions and general supervision, and the Food Corporation of India (FCI) handles the procurement, imports, storage and distribution. The procurement and sales price of foodgrains from the central pool are determined by the Central Government on the terms the Central Government on the basis of recommendations from the Agricultural prices Commission and views expressed by the National Development Council.

Some of the state corporations act as agents of the FCI for procurement and internal distribution. Many State Governments have their own Food and Civil Supplies departments. In some areas producer co-operative societies are involved in procurement, and consumer co-operative societies are involved in distribution.

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In recent years procurement has been undertaken mainly under price support operations. However, when the government had difficulties in obtaining adequate quantities for public distribution, compulsory means such as monopoly procurement levy on farmers, millers and trade, and pre-emption were adopted. The states had used different procurement methods for different crops, and changed these methods from year to year.

During 1977 there had been frequent restrictions on movement of foodgrains by private traders between states or even between regions in a state the zoning regulations were created primarily for the administrative convenience of procurement. The huge accumulated inventory during 1977 had enabled the government to remove all movement restrictions.

In certain cases the FCI acts as the wholesale agent for both procurement and distribution. At the state level, foodgrains are distributed through licensed retail shop known as fair price shops or rations shops. The extent of coverage of fair price shops and eligible by for purchases from these shops are determined by the state governments. The transport charges, commission to the retailers, and price of foodgrains at the wholesale and retail levels are fixed by the state governments.

#### VOLUME HANDLED

Procurement: During the last twenty years the volume of procurement had recorded a substantial increase from 1.1 million tonnes in 1963-64 to 15.5 million tonnes in 1983-84

consisting of about 7.0 million tonnes of rice, 8.3 million tonnes of wheat and 0.2 million tonnes of coarse grains.

Rice accounted for the major share of the total procurement during the early sixties, but towards early seventies wheat procurement exceeded rice procurement. While procurement of rice accounted for 2.8 per cent of rice production in 1963-64, this has gone upto about 15 per cent in 1983-84. Wheat procurement increased from one per cent of production in 1963-64 to about 19 per cent in 1983-84. For all foodgrains the share of procurement in the total production increased from 1.4 per cent in 1963-64 to about 11 per cent in 1983-84.

During 1980-81 about 35 per cent of the market arrivals of rice was procured by government agencies. and wheat procurement was about 60 per cent of market arrivals of wheat.

About 2/3 of the wheat procurement in India came from Punjab, Haryana (16.9 per cent in 1983-84) and Uttar Pradesh (17.4 per cent in 1983-84) were the other important states accounting for wheat procurement. Punjab was also a major contributor of rice procurement with a share of about 48 per cent in 1983-84.

About half the production of wheat in Punjab was procured by the government agencies, and the share of rice procurement in the total production was over 30 per cent.

During the sixties and early seventies, the government announced minimum support prices were in the nature of a long term guarantee to the producers, and the procurement prices were the prices at which the required quantities for maintaining the public distribution system and for building up buffer stocks were actually purchased. From the mid-seventies, the practice of announcing the minimum support prices was given up mainly because all quantities offered for sale were purchased at the procurement price.

The procurement price of wheat increased from Rs.540 per tonne during 1965-66 to Rs.1,510 per tonne during 1983-84. The procurement price of paddy increased from Rs.400 per tonne during 1965-66 to Rs.1,329 per tonne by 1983-84.

The farm-harvest price in many states had been higher than the procurement price. Punjab (a non-rice consuming state) was the only exception where the farm-harvest price of paddy was more or less the same as the procurement price. In Punjab, the gap between the market price of wheat and its procurement price was narrow. A large proportion of the annual variations in wheat procurement was explained by wheat production levels. However, in the case of rice, production levels accounted for only a small percentage of the variations in procurement levels.

Offtake: In 1981 there were about 0.28 million fair price shops which represented an increase of 133 per cent over 1971. The estimated coverage of these shops was 660 million persons, and on an average each shop catered to 2,335 persons.

During the sixties, the off take from the fair price shops reached a peak level of 14 million tonnes in 1966. The improved availability of foodgrains in the open market during the subsequent years had reduced the dependence on the ration shops, but throughout the seventies, the total annual off take remained around 10 million tonnes. The offtake again went up in the 1980s touching a record level of 16.2 million tonnes in 1983.

Wheat accounted for a major share of the foodgrains distributed through the fair price shops. During the Sixties and seventies, while the offtake of rice from the public distribution system remained around 3.5 million tonnes, the offtake of wheat was subject to wide annual fluctuations ranging between 4.4 million tonnes in 1971 and 8.1 million tonnes in 1966. The offtake of rice was stepped up during the 1980s so that by 1983 rice and wheat were more or less at the same level of eight million tonnes. The commodity composition over the years is a reflection of the relative availability of rice and wheat rather than consumer preference.

Maharashtra, West Bengal, Tamil Nadu and Kerala accounted for about half the volume distributed through the public distribution system. The three major cities of Bombay (Maharashtra), Calcutta (West Bengal) and Madras (Tamil Nadu) accounted for a major share of offtake in these states. The extended coverage of public distribution of foodgrains.



From 1966 to 1983, though the annual offtaken ranged between 7.8 million tonnes in 1971 and 16.2 million tonnes in 1983, the range was very small in West Bengal and Kerala. The variations in Maharashtra and Tamil Nadu were also within 30 per cent of the low offtake. Thus the offtake from the public distribution system remained more or less stable in urban areas and in areas with heavy deficits, and in the other areas dependence on the public distribution was only during periods of shortages.

TABLE 1  
SUBSIDY INCURRED BY GOVERNMENT OF INDIA 1972-73 to 1984-85

Year	Consumer Subsidy	Cost of Buffer Stock	Total
----- Million rupees) -----			
1972-73			
1973-74			1,170
1974-75			2,500
1975-76			2,725
1976-77			4,037
1977-78			4,000
1978-79	2,999	2,630	5,629
1979-80	2,955	2,628	5,583
1980-81	3,242	2,653	5,895
1981-82	4,859	1,761	6,620
1982-83			7,000
1983-84			6,110
1984-85			8,350
(budget)			8,500

In 1981, the average annual per capita supply of foodgrains through the public distribution system (PDS) in India was 22 kgs with arrange 6 kgs in Rajasthan to 47 kgs in Kerala.

The issue price of foodgrains from the ration shops is determined by the state governments taking into account the issue price of feedgrains from the central pool and the operating costs. Normally the state governments recovered their full cost from the consumers.

The open market prices of rice and wheat indicated sub-stantial annual and regional variations. In general, the open market prices in the deficit states (e.g. Kerala) were very much higher than the issue price. The gap between these two prices was relatively small in the surplus areas e.g. Punjab).

The monthly offtake of cereals from the PDS was influenced by the issue prices of rice and wheat, and the open market price of cereals. The offtake of wheat from the PDS increased with the increase in rice price in the fair price shops and the ratio between the wheat prices at the open market and fair price shops; and it decreased with the increase in the price of price of wheat in the fari price shops. The offtake of rice was influenced by availability factors.

#### COST OF PUBLIC DISTRIBUTION

The cost of public distribution consists of both direct and indirect items. The direct items of cost consists of cash expenditures incurred by the Central and

state Governments. The indirect items consist of a number of elements such as the concessional rates of interest on bank loans for foodgrains purchases, consumer subsidy at the cost of producers through reduced procurement price, and some amount of transfer of income.

Since the procurement prices of cereals and their issue prices are fixed by the Central government, the FCI has no control over them. During the past, the gap between the issue price and procurement price was less than the handling cost incurred by the FCI. Further, the landed cost of imported grains had been higher than the issue price. The gap between the costs incurred by the FCI and the amount realised through sales (issue price) was met by the government of India as consumer subsidy.

The cost of operations of the FCI includes the handling cost in the movement, storage and distribution of foodgrains and the cost of carrying stocks. The handling cost comprises the transportation charges in moving grains to the consuming centres, interest, handling expenses incurred at the godowns during the receipt and issue, storage charges storage and transit loss and administrative overheads. Between 1974-75 and 1980-81, the handling costs have doubled over the 1974-75 rate of Rs. 146 per tonne. A major increase in the costs took place in 1978-79 to Rs.251 per tonne from the previous years rate of Rs.148. The handling cost declined in 1979-80 to Rs.227 per tonne, but it went up to Rs.291 in 1980-81.

The size of the buffer stock maintained by the FCI on behalf of the government of India depend on a number of factors such as local procurement, imports and offtake from the public distribution system. While the FCI had practically no buffer stock during 1974-75, by 1983-84 it had a buffer stock of about 7.1 million tonnes of foodgrains in addition to the operational stock of 5.1 million tonnes. The cost of carrying buffer stocks varied between Rs.236 per tonne during 1977-78 and Rs.349 per tonne during 1975-76. The difference between cost incurred by the FCI and the issue price is reimbursed to the FCI as consumer subsidy. The government also reimburses the cost of carrying buffer stocks.

The government subsidy increased from Rs.117 crore in 1972-73 to Rs.835 crore in 1983-84. The budget estimates for 1984-85 has a provision of Rs.850 crore towards subsidy. While the breakup of the subsidy is not available for the period upto 1976-77, data for the subsequent years indicate that the consumer subsidy was higher than the cost of carrying buffer stocks. The actual share of these two depended on the quantity distributed and the size of the buffer stock (Table 1).

The changes in consumer subsidy reflected the changes in procurement prices, procurement costs, handling costs and issue prices. The subsidy on imported grains was much higher than the subsidy on locally produced grains, mainly because from 1973 onwards the world market prices of rice and wheat were higher than the domestic procurement prices. (price to 1973, the world market price of wheat was below the procurement price). While there was a subsidy on wheat,



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net profit from rice prior to 1977-78, from 1977-78 onwards both rice and wheat are subsidised. The gap between the consumer subsidy on wheat and rice indicated a declining tendency over the years.

The budget estimates for 1984-85 assumes the economic cost per quintal inclusive of cost of sales of foodgrains (purchase, procurement incidentals, and distribution cost) for rice at Rs.269.45 against Rs.241.12 in 1983-84. For wheat the economic cost per quintal is placed at Rs.220.19 against Rs.202.28. The budget estimates for consumer subsidy per quintal of rice is Rs.15.87 in 1984-85 against Rs.40.83 in 1983-84, and for wheat Rs.31.34 against; Rs.30.72. (Table 2).

TABLE 2  
RATES OF CONSUMER SUBSIDY INCURRED BY THE GOVERNMENT OF INDIA  
(Rs./tonnes)

Year	Wheat		Rice (Local)	All Commodities
	Local	Imported		
1973-74	165.9	587.1	(-) 19.5	
1974-75	16.9	553.3	(-) 53.7	
1975-76	107.4	408.2	(-) 81.5	264.1
1976-77	116.8	420.5	(-) 73.2	207.4
1977-78	316.3	-	92.1	271.9
1978-79	327.2	-	190.6	297.8
1979-80	281.4	-	177.1	246.8
1980-81	402.0	-	340.3	376.6
1981-82	307.2	-	408.3	
1982-83	313.4	-	458.7	

(Budget)-

Note: A negative sign indicates net gain.

## INDIRECT SUBSIDY

The FCI gets loans at concessional rates of interest for foodgrain trade. Further, working capital is provided by the government at concessional rates. An estimate of the interest subsidy gained by the FCI during 1980-81 is about Rs.95 crores.

The consumer subsidy met by the producers is the difference between what the producers might have obtained in the absence of the public distribution system and what they have actually received under the existing marketing arrangement, the measurement of this involves a number of assumptions.

Whether or not there is a subsidy by the farmers is determined by the extent to which the price in the absence of the public distribution system differs from the weighted average price received by the farmers from the open market sales and sales to the government. It has been pointed out that the weighted average price received by the farmers from sales to the government and the open market is not less than what they would have received in the absence of procurement. The findings of some empirical studies indicated that in the very short run case of inelastic supply, government procurement through levy may increase average producer price and income over the free market equilibrium. This is particularly true when procurement is made under price support operations in the surplus areas.



The equivalence of the open market price in the absence of the PDS with the weighted price realised by the farmers implies that the consumers who purchase from the open market incur extra payments on account of the public distribution. It is estimated that the additional payment by the consumers on the open market purchases during 1980-81 was 992 million rupees.

It is difficult to answer the question of disincentives for producers introduced by procurement prices. It has been argued that government intervention was a major reason for agriculture's poor performance. However there are a number of counter arguments for this based on the fluctuations in world market prices, lags in production adjustments, inflationary nature of higher food prices and the large government subsidy on inputs, especially fertilisers. When the weighted average price is not less than the market equilibrium prices, as indicated in the empirical studies, the farmers do not incur any income loss.

Data on cost of production in the major wheat producing areas indicated that the procurement price was above the cost of production. The procurement price of paddy was very close to the cost of production in major paddy producing states. The output-input ratio at the procurement prices were more favourable to the wheat producers. However this was partially off set because (i) the procurement of paddy formed a much smaller percentage of production as compared to wheat and (ii) the gap between the market price and procurement price was much wider for paddy than for wheat.

Data on profitability of input use, particularly fertilisers indicated good returns on investment at the procurement price level. Since the procurement price has effectively become the minimum support price, it provides some stability in the farmer's expected price. Considering all these factors, it is possible to conclude that the procurement price did not offer any major disincentives for farmers.

#### BENEFITS OF PUBLIC DISTRIBUTION

The objectives of the government interventions can be synthesised from various sources as (a) stability in availability of foodgrains, (b) stability in prices and (c) equity in distribution.

The coefficient of variations of availability of foodgrains remained stable over the last 20 years, in spite of unstable production. There had been substantial variations in prices over time and over regions. The equity considerations involved in the public distribution is reflected in inter-regional transfer of income and inter-income group transfers.

In the absence of data on the quantities distributed in the urban and rural areas some estimates are made. Among the major areas accounting for the public distribution in west Bengal 54 per cent of the quantity was distributed in the statutory rationing area of Calcutta and rest was in the modified rationing areas, mainly in the urban centers. Bombay city in Maharashtra and Madras City in Tamil Nadu

accounted for the major shares of the quantities distributed in these two states. The volume distributed in the Union Territory of Delhi was also substantial. Kerala and Jammu and Kashmir were the only two states where the offtake from the rural areas had been substantial. Thus it is estimated that the offtake in the urban areas was about 85 per cent of the total offtake from the public distribution.

In the absence of reliable data on the economic status of buyers from the fair price shops, data from available cross section surveys are used to obtain rough estimates of the effects of rationing. The results of some consumer surveys indicated the pattern of distribution in Table 3.

TABLE 3

PERCENTAGE DISTRIBUTION OF FOODGRAINS IN KERALA  
GUJARAT AND TAMIL NADU

Annual Family income (Rs)	Percentage of Foodgrains Distributed		
	Kerala	Gujarat	Tamil Nadu
Upto Rs.3,600	86.8(59)	56.6(57)	50 (65)
3,600 - 4,800	7.6(20)	23.5(25)	20 (22)
Above 4,800	5.6(21)	19.9(10)	30 (13)

Note: Figures in parenthesis correspond to the percentage of population.

The situation in West Bengal, Maharashtra and Delhi which account for a major share of the quantities distributed through the public distribution system is likely to fall within the range indicated for Kerala, Gujarat and Tamil Nadu. Therefore, the distribution of foodgrains among the various income groups is estimated to be 65 per cent in the category with an annual family income below Rs.3,600, 20 per cent in the category of Rs.3,600 - 4,800 and 15 per cent in the category of above Rs.4,800.

As in the case of loss in farm income, the crucial variable for determining consumers gains is the price level in the absence of public distribution. The market clearing rate in the absence of rationing will be below the level of open market prices when rationing existed. Using data on the price and quantities handled through ration shops and open market, an estimate of the market clearing rate was obtained and this was used to estimate the gains to the consumers.

The net gains have two components - one corresponding to the purchases from the ration shops and the other corresponding to the open market purchases. When rationing is abolished, under the resulting open market prices, there will be additional expenses for the buyers from the open market. Their magnitudes during 1980-81 can be obtained as follows:

(Rs. Crore)

(A) Actual Payment

(A 1) Ration purchases	2,059
(A 2) Open market	3,247
(A 3) Total	5,306



(B) Ration Goods valued at open market price	
(B 1) Value of ration quantity	2,933
(B 2) Open market quantity	3,247
(B 3) Total	6,180
Gains (B 3) -(A 3)	874

(C) Ration Goods valued at market clearing rate	
(C 1) Value of ration quantity	2,849
(C 2) Open market	3,148
(C 3) Total	5,997
Addl payment on ration quantity(C 1-A 1)	790
Savings on open market quantity(C 2-A 2)	-99
Net additional payment                      C 3-A 3)	691

Thus if rationing was abolished, the quantities purchased from the ration shops would have involved an additional expenditure of Rs.790 crore and at the same time there would be reduction of Rs.99 crore in the cost of open market purchases, the net result being a gain of Rs.691 crores. The existing dual markets consisting of public distribution and open market purchase to provide a ration income of Rs.790 crore to the buyers from the ration shops.

Since 65 per cent of the ration quantities go to house-hold with an annual income of less than Rs.3,600 the ration income to this group accounts for about Rs.514 crores

#### BENEFIT COST RATIO

Both the benefits and costs of public distribution are largely sensitive to a number of assumptions used.

Therefore conventional methods of estimating costs and benefits with and without the intervention may lead to different conclusions.

The direct fiscal cost of the public distribution is the consumer subsidy incurred by the Government of India and the direct benefit is the ration income (savings to the consumers at the open market price). At the 1980-81 levels, the estimated consumer subsidy of 4,859 million rupees and the ration income of 7,900 million rupees indicates a benefit cost ratio of 1.63.

When the indirect case are considered, the interests subsidy to the Food Corporation of India and the excess payment of consumers who obtain their supplies from the openmarket become relevant items of cost. With the interest subsidy of Rs.85.4 crore and the excess payment of Rs. 99.2 crore on open market purchases the economic cost of the public distribution system becomes Rs.680.5 crore, and this implies a benefit cost ratio of 1.16.

The impact of public distribution on the nutrition levels of the beneficiaries in Kerala and Gujarat was estimated using the data on purchases from the fair price shops, the prevailing price levels and the NSS estimates of calorie intake. The reduction in the calories levels ranged between 46 and 224 in Kerala, and between 178 and 196 in Gujarat (Table 4).

TABLE 4

POSSIBLE REDUCTION IN CALORY INTAKE FROM  
ABOLITION RATIONING

Annual Household income	Calories from Cereals	Percentage Decline	Reduction in Calory consu- mption
A: Kerala			
Upto . 600	777	17.7	138
601 - 1200	1008	18.1	182
1201 - 2400	1569	14.3	224
2401 - 3600	3600	4.3	86
3601 - 4800	2216	2.2	49
Above 4800	2441	1.9	46
B: Gujarat			
Upto . 2400	1749	11	192
2401 - 3600	2103	9	139
3601 - 4800	2448	8	196
Above 4800	2968	6	178

POLICY IMPLICATIONS

The public distribution of foodgrains in India involved short term policy measures based on a number of factors such as local production, consumption requirements and international market conditions. When the local production is quite unstable, as in many past years, it is important to take adequate measures to stabilise availability and equitable distribution of available supplies.

In situations of scarcity, marginal shortages in supply leads to a relatively large increase in food prices, and it is often the low income consumers who suffer the most. Public distribution of foodgrains in the major cities and in some food deficit states introduces a dual price system. In the absence of a regular mechanism for food distribution in most cities and chronically deficit states, the consumers have experienced major difficulties in maintaining their consumption levels at the levels achieved under rationing.

The effectiveness of the public distribution system will depend on both supply and distribution arrangement. On the supply side local procurement is the most important source and when the procurement price is close to the open market price, the farmers may not resist procurement. In the surplus states, such as Punjab and Haryana, where the difference between the open market price and the procurement price is small, the farmers' income loss is negligible. The large size of the country, the government control on transport facilities and the unwillingness of the private trade to make massive investments on marketing infrastructure will come in the way of operations of free trade.

On the distribution side, the effectiveness depends on a number of factors such proximity of the fair price shops, gap between the open market price and ration price, interval and regularity of supplies, commodity composition, social awareness and existence of physical distribution arrangement.

In many rural areas, the fair price shops are superfluous in a good crop year because of the easy availability at a reasonable price and they are ineffective in supplying



required quantities in a bad year. Therefore to make the system effective, it is necessary to formulate appropriate strategies to enable the system to survive in both good and bad years. The viability of retail outlets could be established through a stable minimum volume or by establishing a tie-up with distribution of other commodities. While in a major deficit area (eg., Kerala) retail outlets for good grains alone is viable, in many other rural areas it will be necessary to link up food grain distribution with other essential commodities.

The effectiveness of the public distribution to meet the consumption requirements of the poor is linked with proper identification of the target groups and minimisation of leakages. In India targeting based on family incomes has not provided satisfactory results. However, in some areas broad exclusion categories based on factors such as land and income tax payment were provided and the quantities available through the PDS were restricted to certain minimum levels. In the absence of appropriate means tests for determining the eligibility criteria, the commodity composition and quality of food grains distributed through the fair price shops have served as indirect criteria for targeting.

The public distribution of food grains in India has resulted in some re-distribution of income. Since the small farmers were left out from the levy obligations, whatever marked surplus from this category could get the benefit of a higher open market price. Because of the subsidy element the food deficit areas receive an indirect income transfer from the Central Government. Further, the consumers depending on open market purchases (very often the quality,

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conscious higher income groups), contribute partially towards the ration income of consumers who purchase foodgrains from the fair price shops.

Often it is pointed out that a lasting solution for poverty is to provide increased employment and income opportunities for the poor. While this is the long term solution, in the short run a consumer-oriented food subsidy system could a viable approach for increasing the nutritional status of the poor. Even within this framework, effective management of purchases, sales, imports and stocks could reduced the government subsidy.

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MANAGEMENT DEVELOPMENT PROGRAMME - II

SECOND ORIENTATION SEMINAR

ON

THE PUBLIC DISTRIBUTION SYSTEM

FEBRUARY 11-12, 1987

SPONSORED BY

THE DEPARTMENT OF CIVIL SUPPLIES,  
MINISTRY OF FOOD AND ~~VICIL~~ SUPPLIES,  
GOVERNMENT OF INDIA, ~~CIVIL~~  
NEW DELHI.

THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION  
INDRAPRASTHA ESTATE, RING ROAD,  
NEW DELHI-110002.

FEBRUARY 1987

(MDP-II/53/86-87)



INDIAN INSTITUTE OF PUBLIC ADMINISTRATION  
NEW DELHI

SECOND ORIENTATION SEMINAR ON THE  
PUBLIC DISTRIBUTION SYSTEM

February 11-12, 1987

PROGRAMME SCHEDULE

11th February, 1987

Registration of Participants	09.00 a.m. - 09.30 a.m.
Introduction	
Welcome - Shri S. Ramanathan Director, I.I.P.A.	09.30 a.m. - 10.00 a.m.
Inaugural Address by Shri K.C. Pandeya, Secy. Civil Supplies	10.00 a.m. - 10.10 a.m.

T E A B R E A K 11.15 a.m. - 11.30 a.m.

SESSION - I

Size, Coverage and Target Group Orientation of the P.D.S.	11.30 a.m. - 01.00 p.m.
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L U N C H

01.00 p.m. - 02.00 p.m.

SESSION - II

Supply Management	02.00 p.m. - 03.30 p.m.
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T E A B R E A K 03.30 p.m. - 03.45 p.m.

SESSION - III

Issues Related to Pricing	03.45 p.m. - 05.30 p.m.
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- 2 -

12th February, 1987

Sessions-I

Issues Related to Consumer Access

09.30 a.m. - 11.30 a.m.

T E A   B R E A K

11.30 a.m. - 11.45 a.m.

Sessions-II

Issues Related to Wholesale & Retail  
Out-lets

11.45 a.m. - 01.00 p.m.

L U N C H

01.00 p.m. - 02.00 p.m.

Sessions-III

Measures for Effective Retailing

02.00 p.m. - 03.30 p.m.

T E A   B R E A K

03.30 p.m. - 03.45 p.m.

Sessions-IV

Management Information System  
for the P.D.S.

03.45 p.m. - 05.00 p.m.

Summing up

05.00 p.m. - 05.30 p.m.

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### SEMINAR PROCEDURE

In order to make our deliberations effective and meaningful, we may adopt the following procedure:-

- (a) Each issue would be taken up separately.  
A seminar faculty would make an opening statement, which would be followed by discussion by the participants and the panelists.
- (b) Let us in each intervention concentrate EXCLUSIVELY on the specific issue under discussion.
- (c) Let us NOT REPEAT a point which has already been made by some one else, unless it is closely related to some other issue not yet discussed.
- (d) Let us keep our comments as precise and short as possible and take not more than FIVE MINUTES in each single presentation. We may come back, if the need arises.

It is hoped that every one participates in the Discussion in one's own capacity, without being a spokesperson for anyone. The purpose is to evolve thinking towards an effective P.D.S. by means of an open, frank and in-depth discussion.

Shri Anil Chandy Ittyerah  
Dr. Aasha Kapur  
Shri Pranab Banerjee  
Prof. Kamal Nayan Kabra, (Convener)  
Organising Committee for  
Orientation Seminar on  
The Public Distribution System

Orientation Seminar on the Public  
Distribution System: A Brief  
Introductory Note

The Indian Institute of public Administration has recently completed a comprehensive National Study of the Public Distribution System, covering practically all states and union territories in India. In addition to dealing with the terms of reference specified by the Ministry of Civil Supplies, Govt. of India, who sponsored the assignement, the study has been able to raise a large number of important issues related to the present functioning of the public Distribution System. We hope that two day orientation seminar being organised at the I.I.P.A. will first of all give us an opportunity to share with senior administrators dealing with this important sphere of public policy both at the centre and the states, the major issues raised, as well as some important findings of this research study.

Secondly the seminar will provide time for a structured discussion based on the expertise/experience of the participants from various states, with the sole purpose of attempting to evolve<sup>a</sup> more viable and effective alternative, keeping in mind the present constraints as well as the possibilities of improving the administrative design of the P.D.S.

We therefore plan to devote the first day of our deliberations to the discussion of two key papers (see programme Schedule) while on the second day we would be taking up discussions, on the theme- 'Towards a Viable and effective Alternative'.

The purpose of a structured discussion on the above theme is mainly to high-light the basic issues involved and in this light., discuss possible alternatives, as well as the criteria for making policy decisions.

It is well known that the functioning of the P.D.S. varies from state to state depending largely on the different requirements and constraints faced in each specific situation. It is hoped that a systematic discussion on various alternatives and decision making criteria will enable one to appraise the constraints<sup>as</sup> as well as possibilities in each state and thereby arrive at the appropriate administrative policies and arrangements for the effective functioning of public Distribution. Moreover the focusing of attention on a set of issues that we are listing in some detail may enable us to learn from the experience and administrative practices in other states. In brief the following points raised by us here intend to provide a systematic framework in which ideas and experiences can be shared. It will also provide an adequate information base which will help in the evolution of policy guidelines and ~~assist us in the actual decision~~ making process.

I. Scope and Coverage of the public Distribution System:

The issues to be taken up under this head can be subdivided into three parts.

- a) Commodity coverage, or the number of commodities which should be brought under the purview of the P.D.S.
- b) The extent of consumer needs/demand that should be supplied through P.D.S. channels and the fixing of stable ration scales/entitlements.
- c) Population coverage or the proportion of the population that should be covered under Public Distribution. In this context the following choices are possible:
  1. Universal coverage, i.e. providing stipulated entitlements of selected essential commodities to the entire population.
  2. Partial coverage, i.e. excluding some sections of the population on the basis of an appropriate criteria such as income, assets, occupation, self provisioning etc.



3. Universal coverage with preferential access, i.e. while the entire population is covered, some sections of the population may be provided with preferential access or special treatment in terms of lower prices, larger quantities, additional commodities, or a combination of the three.
  4. Partial coverage with preferential access, i.e. while excluding some sections altogether from the P.D.S. preferential access may be provided to the identified target groups.
- d) If universal coverage is opted for, as at present is most states, what would be the quantitative and qualitative implications for domestic procurement, imports and subsidies.

SUPPLY MANAGEMENT: The following issues are to be considered under this head in view of the need for policy formulation as well as related administrative decisions:

- a) The total quantity of each commodity required for the covered population (The population to be covered: ~~x~~ Ration scales)
- b) The time profile of requirements according to the periodicity of issues (rationed supplies allowed to be drawn by consumers.).
- c) Estimation of domestic availability both within the state and within the country, and the proportion of required commodities that can be mobilised in the state itself and that which is needed from the other states/centre.
- d) The question of whether state/district has a deficit or surplus in commodities to be procured and how this affects supply management.

- e) Alternative methods of procurement, sources of procurement, terms and conditions of procurement, the agencies for procurement-central, State-Departmental and Non departmental.
- f) Storage and inventories: the questions related to buffer stocks and operational stocks.
- g) The spatial location of inventories and operational stocks, problems related to warehousing and handling
- h) The question of finances for procurement and stocking

III. PRICES AND SUBSIDIES: The following issues could be taken up for consideration.

- a) The relationship between open market-prices and issue prices with respect to each commodity in question, as well as the pricing of close substitutes e.g. should not the issue price of wheat or rice be compared with the open market price of close substitutes such as coarse grain, if this is not done the offtake of wheat and rice may be affected.
- b) What should be the sustainable or desirable difference between open market prices and issue prices i.e. the extent of difference which may lead to both diversion to unauthorised <sup>channels</sup> and fall in consumer offtake.
- c) The size of subsidies involved and problems related to its financing.
- d) Possibilities of cross subsidisation through differential pricing in order to control the general escalation of subsidies.

IV. DISTRIBUTION: In this subject, discussion can be divided into two parts:

- a) Issues related to consumers/factors affecting consumer access such as:
  - 1. The issuing of ration cards
  - 2. The stability of issue prices and scales/entitlements
  - 3. The periodicity of purchases permitted and its relation with consumer utilisation/offtake.

4. Criteria for the identification of target groups or those to be given preferential access.
- b) Issues related to Retail and wholesale outlets:
  1. Choice and licencing of outlets
  2. Location and working hours of outlets
  3. Arrangements for providing regular supplies to the retail outlets.
  4. Streamlining the necessary administrative formalities for lifting and stocking of supplies.
  5. The methods of remunerating retailers <sup>and</sup> wholesalers
  6. Financing of wholesale and retail operations
  7. The comparative usefulness of private, cooperative and Departmental outlets/F.P.S.
  8. The Operational Financial Viability of retail outlets.

V. SOME GENERAL ISSUES: The following issues may be considered:

- a) packaging and standardisation of essential commodities distributed through the p.D.S.
- b) Consumer participation and Vigilance
- c) Arrangements for efficient retail and wholesale operations such as
  1. Display of prices and stocks
  2. Public Notices regarding scales and entitlements
  3. Proper weights and measures
  4. Courteous treatment to consumers
  5. Motivation and moral of administrative functionaries

While comprehensively examining the various issues listed above one would tend to, at times, put some undue emphasis on the existing arrangements, however for a more meaningful and constructive <sup>exchange of ideas</sup> it will be helpful if these questions can be taken up de-novo, in order to evolve a fresh set of available and preferred alternatives. It is also important to take into account the problem of consistency in of these arrangements in order to assure effective implementation and avoid contradictions.

It is to be expected that there might be a certain degree of resistance to ~~the~~ newly proposed arrangements on account of either simple inertia, resistance to change and/or because the changes may weaken or remove some vested interests.

The method to be adopted for the seminar deliberations on the second day will be that each session will begin with a brief initial presentation by a resource person followed by an ordered set of suggestions and/or interventions by the participants. This will be followed by a brief summing up of the discussions, by a member of the organising Committee, who will also be acting as the rapporteur for the session. Apart from bringing with you the relevant data on the issues listed, it would facilitate an orderly discussion if participants bring with them a brief write up dealing with each point-separately, and submit a copy to us at the time of registration.



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SECOND ORIENTATION SEMINAR ON THE PUBLIC DISTRIBUTION SYSTEM

(FEBRUARY 11-12, 1987 )

SIZE, COVERAGE AND TARGET GROUP ORIENTATION OF  
THE PUBLIC DISTRIBUTION SYSTEM(P.D.S.)

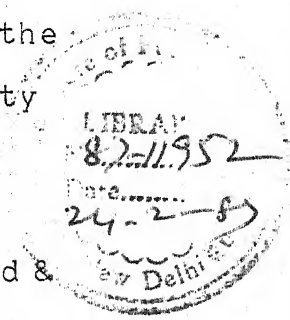
- Sidhartha Dasgupta

The seminar started with a welcome address by the Director of I.I.P.A., Shri S. Ramanathan. Prof. Kamal the Nayan Kabra then specified in brief/methodology of the seminar. Thereafter, the seminar organising faculty and the participants introduced themselves.

Shri K.C. Pandeya, Secretary, Ministry of Food & Civil Supplies then delivered the inaugural address.

In his address Shri Pandeya stressed the need to view P.D.S. as an important service/ a mission. The more we treat P.D.S. as a service, the easier it will be for us to solve the problems arising within the framework of P.D.S. which are of an urgent nature. So, they have to be solved within the shortest possible time. Various ministries are already engaged in making the P.D.S. effective.

To achieve the goals set by P.D.S. it requires active participation of all the officials concerned from the highest policy framing level to the lowest implementation level. In this connection, he mentioned that training and re-orientation programmes can help increase the efficiency



of the officials involved with carrying out the P.D.S. programme. P.D.S. ensures physical **access** to the poor and as such it can be envisaged as being complimentary to the various poverty alleviation programmes launched by the government.

The question of viability while carrying out P.D.S. should not be over-emphasised. The various state governments will do well to treat P.D.S. as a necessary investment. In order to evoke favourable positive & helpful response from all quarters to carry out this P.D.S. smoothly and effectively it has to be viewed as a mission based on 'Socialist Gandhian **Principles**' to help the poor. Within the overall macro frame-work of the economy there can be no tangible returns out of the P.D.S. and the satisfaction has to be largely derived by treating it as a mission.

The morning session then came to an end with a vote of thanks by Dr. Aashā Kapur. After tea, the members reassembled and then it was left to Prof. Kabra to make the introductory presentation of the pre-lunch session topic " Size, Coverage & Target Group Orientation of the Public Distribution System ".

P.D.S. has come to stay as an important tool both at the macro & micro level with marked inter-state differences in the models of P.D.S. It can be made more effective if



issues relating to the above mentioned three aspects, size, coverage & target group orientation can be made harmonious with the objectives of P.D.S.

historically  
P.D.S. arose as a legacy of World War-II and there has not been any perceptible change in the methodology of its operation since 1967. During years of shortages, it becomes more pronounced though in normal harvest years it helps specific shortage pockets. Within the context of India during shortage periods large scale imports of food grains has been resorted to. If, however, the distribution system is left to the private operators then P.D.S. <sup>may</sup> become self-defeating. Over the years, incrementally the commodity coverage of P.D.S. has undergone a substantial change. The overall objective should be to make it a component of anti-poverty programme and anti inflationary policies.

It can also play a helpful role in achieving price stability through commodity coverage of essential cereals, sugar, edible oils etc.

Having introduced the topic Prof. Kabra presented the following points for the consideration & discussion of the house:

- a) While serving its purpose, is P.D.S. covering the important items mentioned in wholesale price index (W.P.I.) and consumer price index (C.P.I.) ? Alternatively what are the weightages of these commodities in W.P.I. and C.P.I. ?

Does

- b) / P.D.S. become a part of demand management policy as a result of its coverage of essential commodities, and help contain price-rise?

The question then arises is there any conflict between these two objectives? The subsequent questions posed by him were:

- i) of the selected commodities under P.D.S. what are the scales of ration to be given to each consumer, so that it makes a meaningful contribution to his/her real income ?
- ii) can we keep P.D.S. universal? What is the proportion of people whose needs can be satisfied on the basis of existing total supplies?

Presently P.D.S. has adopted a formally universal approach in which the supply and demand are very often with the latter generally being for short of the firmer. not properly matched. Concomitantly a large number of intended beneficiaries are left out. Also there is a lack of match between the range and types of commodities demanded and their supplies.

The purpose of P.D.S. will be served effectively if the above mentioned anomalies are rectified and certain other essential items of nutritional value such as pulses and coarse grains are included. Ration scales differences between states which at present are quite large may have to be reduced and standardised and this alongwith ration quantity should be made harmonious in accordance with target orientation.

The participants took up a large number of related issues of which the important ones seem to be the following.

A broad consensus emerged from the discussion that uniform models for all states cannot be evolved as problems differ. The consumption pattern between states and also between rural-urban areas are not similar for which an universal scale of commodities may not be suitable.

The many other uses of ration cards besides food items procurement such as for getting licences, passports & visa, partnership deeds, registration of vehicles etc. was pointed out, and in this context Prof. Kabra suggested the need to explore the possibility of proscribing the use of rationcard for non-civil supply purposes for target group orientation to succeed as this improper use of ration cards leads to a diversion and hence misallocation of essential commodities.

It was pointed out by the participants that a universal approach with preferential access to the problem of P.D.S. can be had depending on the criteria of (a) availability (b) affordability.

Where both availability and affordability are good we may have universal coverage. In case availability is<sup>a</sup> plenty we can have preferential access. In this context it was mentioned that states can play an active role in influencing the consumption pattern by bringing down the prices of essential goods.

Regarding the nutritional value of P.D.S. the question posed by Shri Anil Ittyerah was: do the items being supplied under the P.D.S. at present meet the nutritional requirements? Can scales be fixed according to nutritional requirements? As a reaction to Shri Ittyerah's query the nutritional value of pulses was brought out and a suggestion was made to include this essential item in the P.D.S. though it was agreed that including it will be a difficult proposition because of more or less stagnant production. Some states, in fact, have already included pulses under P.D.S. and others should follow suit without however enjoining on the centre the responsibility of supplying pulses to the states. Shri Ittyerah also emphasised the need for increasing the total size of the offtake, which is an essential condition for effective P.D.S.

An active role can be played by the industries in carrying out the P.D.S. They should be made to reserve a part of their production to be sold at the fair price shop at fair prices by keeping trade margins under control. The commodities to be reserved by the industries will of course vary from region to region.

Dealing with the question of coverage Dr. Aasha Kapur said that it has to be with regard to both the population and commodities. In the case of population coverage she was of the opinion that essential goods in short supply which are prone to inflation should be made available to certain segments of the population at lower prices. As regards ~~target-group~~ **target-group** orientation

she expressed her dissatisfaction with the present system of universal approach to subsidised products.

The discussion for quite some time centered around the question of universal <sup>population</sup> coverage. Though no definite conclusion was arrived at but all the same certain important points were brought out. It was agreed that the coverage of all sections of the population though difficult has come to prevail formally. The question of universal or partial coverage would also depend upon the commodities concerned. The basic problem - and there was a near unanimity in this regard - is that since in principle there is little difficulty in acceptance of target-group orientation, the problem is the practical (politico-administrative) one of how to identify the section to be excluded from P.D.S. benefits? Many informal sector people have much higher incomes than the poverty level. So, including them within the purview of P.D.S., it was pointed out, may be self-defeating. One suggestion was to exclude from cereals those who become better-off through inflation.

The question of excluding certain well off sections from among the P.D.S. beneficiaries was considered by many to be not feasible. It may be not be politically or socially acceptable, it was maintained.



Summing up this question of universal coverage Prof. Kabra said that P.D.S. in itself can't deal with all types of inequities and can make a small contribution to reduce inflation induced inequities. However, a source of inequity is inflation which tends to make certain sections particularly those controlling prices better off in real terms. How far is it justified that these sections are also included in PDS, leading to the exclusion in practise of intended beneficiaries. He was of the opinion that exclusion is worth-trying as it will reduce one important source of diversion & help channelise these commodities to the target group. It was felt by many that an element of exclusion is already implicitly in the working of the P.D.S. as the higher income group quite often voluntarily opt out of P.D.S. and buy their consumption goods from the open market because of quality considerations and convenience. Coming to the operational level it has been observed that it is the poor who despite the erratic supply & other discouraging factors would have to rely on P.D.S. so in a sense the need for target group is already recognised.

Within the context of fair price shops, it was felt by some that introducing a large number of commodities may not be practicable and the practice of including certain inessential commodities like cosmetics etc.

should be discontinued. The objective of fair price shops should be to make available certain essential goods of daily use at a price below the quoted market price. However, addition of a number of other essential goods on a super Bazar lines, would help both consumers and FPS dealers.

in

Certain problems confined with the periphery of certain states were discussed. In Kerala the practice of excluding the cultivators of Paddy from his ration quota of the produce of same kind for a few months was explained. In Tripura and in other inaccessible parts of North eastern region essential commodities are not adequately provided / there are many supply bottlenecks. The prices of items of daily use are exorbitant there, because of short supply & heavy transport costs. To overcome this difficulties of inadequate supply & non availability of goods more fair price shops should be opened in these areas and mobile vans catering to the needs of the general masses can be made use of.

Over the decades, certain commodities have come to be accepted as the centre's responsibility and which, according to some, have now started taking the form of a liability. An emphasis was laid on central allocation fixing scales, leaving no room for any manoeuvrability upon which Prof. Kabra replied that the states have been given constitutional authority in P.D.S. The supply question

is too important to be overlooked . The impact of supply constraints act as a deterrent to commodity coverage. The commodity coverage has come to be accepted as historical legacy and as such there is need for a fresh determination of commodities by expanding the PDS basket Besides P.D.S. outlets the Super Bazar Outlet was established as an alternative to provide optional package of commodities for improving viability and also for controlling trading margins & for ensuring availability. These goods may be sold through the FPS under the overall charge of Civil Supply Corporation and Cooperative marketing Federations.

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**Gabriel Kolko**

# ANATOMY of a WAR

*Vietnam,  
the United States,  
and the Modern  
Historical Experience*

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## Articles

**Food Policy, Inequality and  
Underdevelopment — The Anatomy  
of an Agrarian Economy in Bondage\***

Sauid A. Choudhry\*\*

A famine has never arisen from any other cause  
but the violence of governments, attempting by  
improper means to remedy the inconveniences of  
dearth.

Adam Smith, *The Wealth of Nations*, Bk. IV,

Ch. 5.

This is a study of the problem of food and famine in Bangladesh; an attempt at uncovering the conditions of social imbalances, political biases and institutional rigidities which combine with natural calamities to produce a crisis. The aim is to study the problem in more general terms; incorporating elements hitherto overlooked within a broader analytic framework. Specifically, we shall reject Bangladesh's media generated image of an entire people condemned to perpetual hunger, and argue that hunger is neither natural nor inevitable. With some of the most fertile soils in the world, abundant rainfall and enormous reserves of natural gas the country clearly has the potential to feed all its people (Hartman and Boyce; 1979:5). William Murdoch (1980: 115) echoes a similar sentiment:

The Indus-Ganges-Brahmaputra plains of Pakistan, Northern India and Bangladesh encompass 40 million hectares of naturally very fertile soil. . . . An annual yield of 20 tons of grain per hectare (compared with current yields of 2 tons or less) is a reasonable expectation for this area. This production would be equivalent to more than half of the world's current grain production.

\*I gratefully acknowledge comments and suggestions on an earlier draft of this paper by Prof. John Loxley and Prof. Kari Levitt. They greatly helped my perception of some of the finer issues involved. I am, of course, alone responsible for the writing of this paper and any error that might remain.

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Since most of Bangladesh's area consist of soil eminently suited for agricultural production, the ratio of population to agricultural land is also not too high. To illustrate:

Table 1. Cropland in relation to population (early 1970s)

Country	Acres of cropland per person
Bangladesh	0.32
China	0.32
Laos	0.15
South Korea	0.17
England	0.32
West Germany	0.32

Source: Based on World Bank, *Land Reform Sector Policy Paper, May 1975*, p. 50

As indicated above, Bangladesh has about as much cropland per inhabitant as Britain and West Germany and twice as much as South Korea and Taiwan. Also the quality of the country's soil is second to none and the climate permits the cultivation of up to three crops per year in most parts of the country. A World Bank report even concluded that the current rice production could be quadrupled by the end of the century with already known techniques.

"What then," one might ask, "is the cause of hunger in Bangladesh?" The answer is: a composite of the semi-feudal agrarian structure, slow paced development and inequitable distribution of the small gains of development. Hunger is the child of poverty and poverty is aggravated by an economic system autocratically geared to maintaining the political, social and economic preponderance of privileged groups. Bangladesh, as Lappe would say, is just like a big ship divided into three classes: the rich, the not-so-rich and the poor. (Lappe, 1975: 253). And when a ship begins to founder, third class passengers do not share a common fate with first class passengers. The well-to-do rarely if ever share the fate of the poor. More commonly they determine it.

This paper suggests an alternative approach to the problem of food and famine in Bangladesh, implying thereby that the conceptual framework within which the problem has been traditionally viewed is sometimes seriously deficient. By and large, three approaches have emerged so far:

1. The "first" is the FAO hypothesis, which holds that famine is caused by a decline in foodgrain availability.

2. The "second" attributes famine to lack of purchasing power, and
3. The "third" combines the two.

This paper proposes to discuss the role of a regressive tax structure and over-valued exchange rate in the relegation of millions to undernourishment. In particular we will look at the fiscal role of food subsidy programs and examine their efficiency as instruments for achieving proffered objectives. For instance, a commonly stated objective of food subsidies is to change relative prices in a manner that provides a desired distribution of income. In this paper we will look into which group's income is being redistributed and the incidental implications of this scheme for other macroeconomic and growth objectives in general and on food production incentives in particular. It is believed that in the specific context of Bangladesh, this approach should provide a broader analytic framework to aid our understanding of the complexity of the phenomena.

#### *Regressive Taxation and Underdevelopment*

The socio-economic profile of rural Bangladesh depicts an agrarian economy in bondage, wherein the poor have become institutionalized into a culture of poverty. This poverty is not merely a legacy from the past, but has also been maintained through fiscal and administrative policies of post-colonial governments. The government machinery was built up under the British rule and still retains much of its colonial ancestry. Administration is in the hands of a highly centralized bureaucracy that has little ability to collect direct taxes. The major direct agricultural tax is on land. But rates are low and have been increased only once during the past ten years. The general price level has risen sharply since independence in 1971, so that land taxes constitute a very small share of the agricultural product. Increasing the rate of land taxes poses obvious administrative and political problems, as no government desires to make itself unpopular with the overwhelmingly large majority of the population.

The present tax structure in Bangladesh thus relies very heavily on indirect taxes designed to transfer resources out of certain sectors and to protect and encourage others. The policy is simple: promote production of cash crops (e.g., jute), then turn the terms of trade against the peasantry by a tax on such exports. Sectors favored generally include large-scale manufacturing, plantation agriculture (i.e., tea), trade and other sectors. Such a pattern of taxation is regressive; it is one of the key elements in the preservation of inequality in Bangladesh.

Incomes in industry and business are often very high in Bangladesh. The political difficulty of raising income and profit taxes is not due to the small number of capitalists but to their awesome power. Collections lag behind the growth of value added. In part the lag is the result of an increased ability to avoid or evade taxes and partly due to various tax concessions aimed primarily at promoting investment. For instance, the rate of import duty on machinery and equipment for setting up new industries ranges between 2.5 percent to 15 percent and there is complete exemption of sales tax. Furthermore, would-



be investors are granted a tax holiday for five years for setting up industries in a developed region and 9 years for one in a less developed area. (Bangladesh Government Document, 1980: 79)

While it is not easy to raise government revenues, it is even more difficult to restrain current government expenditures. The very poverty which makes it difficult to raise taxes also generates strong pressures to raise spending. To accomplish this, taxes are often indirect and reliance on revenue from import and export taxes is heavy. The inability to administer direct taxes means that there is a problem in getting money out of the agrarian sector. This can be accomplished by coaxing small farmers into production of the cash crop (jute), and then levying taxes as it is exported. On the other hand, exports of manufactures and plantations (e.g., tea) are typically not taxed or taxed at very low rates. Such an absence of near absence of taxes, reflects a policy deliberately designed to transfer incomes from the vast masses of peasant producers, who otherwise are too small for the distant and centralised government to deal with.

In contrast to policies that squeeze the peasantry, the urban sector is favored in a variety of ways. For instance, the cost of urban industrial labour and of raw material inputs is held down by policies which do little to augment incomes in the rural sector. To see this we can look at the case of those who work for large scale urban manufacturers. The public food distribution system includes provision of subsidised food (under statutory rationing) for anyone working at any establishment with more than 50 employees (unless such an establishment is otherwise covered by statutory rationing). Relative to the small scale shop, the cost of labour to the large shop is reduced by the element of the subsidy in rationed goods. For instance, if the cost of monthly food is 50 Taka less for a worker with access to rationed goods, then the large shop owner can pay wages 50 Taka less than other small shops. Such subsidies to employees of large shops are in reality subsidies to the employers.

While imports competing with the goods produced in the agrarian sector are typically subsidized (e.g., rice), imports that compete with goods produced in the urban sector are typically taxed. Thus, in the case of imported clothes (both new and second hand), one finds tariffs designed for the protection of large-scale manufacturers.

Activities in the urban sector are also benefited through import licenses, official government monopolies and so forth. Just to take one example we could look at import controls. Those favored with import licenses are able to buy foreign exchange at the official rate, which is below its market value. This subsidy to importers certainly not among the needy groups in Bangladesh society implied in such a procedure is unrealized but potential government revenue.

All these lead one to conclude that the over-riding feature of government and tax policies in Bangladesh is not to protect the poor, but to turn the terms of

trade against the rural masses and in favour of the urban sector. With the urban sector as the locus of wealthy and influential people, the logic of such a model fits political reality.

### *Food Policy in Bangladesh*

The government's food policy ensures that the well-to-do take an altogether disproportionate share of the imported food, available under the public distribution system (at less than market prices). To clarify: Food grains in Bangladesh are sold in the open market by farmers and traders, and by the government through ration shops catering primarily to the urban population. The ration shop prices are less than both the domestic open market prices and the international prices of the imported food. While food subsidies have been the subject of considerable political debate, little effort has been expended to systematically categorise the financial and resource allocation costs associated with their use. In this paper, I will first discuss the standard technique used to quantify the subsidy enjoyed by those with access to the government owned ration shops, and then go on to demonstrate how (by taking the country's over-valued exchange rate into account) more appropriate valuation criterion might be established. Specifically, I will provide quantitative estimates showing the extent to which the urban dwellers are benefited from the presence of the following subsidies:

1. Subsidies of the lower ration shop price of rice and wheat as compared to the market price.
2. The subsidy of an over-valued exchange rate, resulting from the fact that the government imports food at the official (over-valued) rate of exchange.

In Bangladesh, the government handles all food imports under an over-valued exchange rate and this means that the subsidy involved is really a "super-subsidy"—signifying considerably greater resource sacrifice than what the officially reported totals imply. This has resulted in among other things a stagnant rural economy, because the availability of cheaper ration-shop supplies is in effect equivalent to an indirect tax on domestic food grain producers—a measure that has artificially reduced the market price and thus reduced farm sector incomes.

Thus Bangladesh's current pattern of (imported) food absorption while raising the debt burden of the economy has failed to create the necessary productive capacities. Its major political impact has been to help strengthen the existing political and administrative institutions — i.e., the distribution of patronages and the building of politically expedient "white elephants." To illustrate, 27 percent of the rationed food stuff is allotted to members of the military, the police and the civil service; another 30 percent goes to the predominantly urban middle class; 9 percent is supplied to mills that sell flour to bakeries



catering to the urban consumer. (World Bank, 1977:12). That is, the imported food funneled through the ration shops at subsidised rates, does not reach the needy because of diversion and deficiencies within the distribution system. So when in 1974, US food aid did not arrive in time and in sufficient quantity the brunt of the shortfall in supplies fell on the poorest sections of the population because supplies to the urban rationing areas and to government employees were maintained on a priority basis. This was the inevitable result of a system under which the most vulnerable and poorest of the rural population have only residual claims on the grain available at the disposal of the government.

If the public distribution system is to make a basic minimum quantity of daily ration available at reasonable or even subsidised prices to vulnerable sections of the population, its present form must be drastically altered. Rationing should be done on a family income basis and might well be restricted to households having a monthly or yearly income below a certain fixed minimum. The rest of the population could buy their requirements from the open market.

#### *Foodgrain Imports Under an Over-valued Exchange Rate: The Real and Illusory Aspects*

All imports of foodgrains in Bangladesh have been handled by the government either as a buyer or as the recipient of food aid. The bulk of the imported food is bought on the world market at commercial prices. We will show the import bill in local funds, measured first at the official rate of exchange (i.e. Tk. 15 per US dollar) and then at the scarcity value of the dollar (which is Tk. 21 per US\$). The scarcity value better reflects the true rate of foreign exchange, since it is the market rate obtained under the "Wage Earner's Scheme". This is a scheme wherein remittances from Bangladesh nationals working abroad is auctioned off by the Central Bank in the form of permits. These permits can be used to import any item from a list of importables that changes from time to time.

The owners of incoming remittances thus earn a premium. One recent predecessor of this scheme can be traced without difficulty. In the late 1960s and early '70s, France and Belgium created two foreign exchange markets: one for the "commercial Franc" in which at an officially pegged rate traders in goods and services and long term assets transact their business; and the other for the "financial franc" in which foreign exchange arising from short term capital transactions was traded at a market determined rate. The Bangladesh Wage Earner's Scheme is likewise a two-tier system.

The price of the (imported) ration shop rice is not only lower than the domestic free market price, it is even lower than the world market price. However, as mentioned as the outset, this is not the total subsidy to urban consumers. The official exchange rate of the dollar is about 40 percent below the free or market rate. It therefore involves a subsidy to all who have access to

foreign exchange at such rates and this includes the government as a foodgrain importer. In other words, for the import of rice and wheat on government account we have a "super-subsidy" or "double subsidy".

1. The subsidy of lower ration shop prices.
2. The subsidy of an over-valued exchange rate.

The table below provides a quantitative estimate of the subsidy actually granted.

The last column quantifies the total subsidy being actually effected (but officially overlooked), under the present system of dual exchange rates. The degree of distortion involved in valuing food subsidies only by an over-valued exchange rate is substantial. Through the public distribution system, this heavily subsidised food goes to feed the town dwellers and the industrial workers—i.e., the articulate and volatile pressure groups considered vitally important for the exercise of state power. The rural poor though more numerous, are unorganised and thus constitute no threat to the power structure. So they have to suffer relative neglect.

The fact that most of the imported food goes to feed those who can best afford to pay the market price, is just another instance of official policy designed to meet the not-so-basic needs of the rich and the powerful, at the expense of the poor.

Table 2: Cost per maund of imported rice at official and market exchange rates.

(1) Year	(2) Price per md. of imported rice at official rate (i.e., U.S. dollar)	(3) Price per md. at market exchange rate (i.e. Tk. 21 per U.S. dollar)	(4) Ration shop price (per maund).	(5) Implicit subsidy of over-valued rate (3)-(2)	(6) Supersubsidy actually paid (5)
73-74	93.84	131.38	40	37.54	91.
74-75	81.48	113.15	60	31.67	53.
75-76	156.50	217.33	80	60.83	137
76-77	229.24	318.33	90	89.11	228.
77-78	171.44	238.07	100	66.63	138.

### *Subsidised Food as Disincentive to Agricultural Production and Incomes*

Perhaps the worst effect of the public distribution system is that it acts as a disincentive to agricultural production. By selling large amounts of imported food at subsidised prices, the government reduces the market for domestically produced food by keeping food prices artificially low. This changes the relative price to the consumer of domestic and internationally procured crops as well as increasing the total food supply on the market. This form of distortion in relative prices invariably involves inefficiencies in production and waste in consumption. In terms of Pareto optimality conditions, the subsidy interferes with the necessary condition that the marginal rate of substitution of any two products in consumption equals the marginal rate of transformation in production, equals relative prices.

The complex of food subsidies and explicit and implicit taxation applicable to the agricultural sector makes difficult any unambiguous assessment of the overall impact of government policies on domestic food output levels. Yet the empirical evidence is strongly suggestive of a negative supply response to depressed producer prices. It is one of the great paradoxes of Bangladesh's development strategy that while the agricultural policy is officially extremely production-oriented, with a heavy emphasis on attempts to make the farmer's adopt the "green revolution" package of modern inputs, the food supply is totally counter-productive in that it actually depresses prices and thereby reduces the farmer's investible surplus and discourages production of food for the market. Reduction in agricultural production resulting from lower food prices, has negative consequences both for the number of employment opportunities and for the amount of money circulating in the rural areas. And while the rural rich can, and do, diversify their economic activities when food prices go down, this option is not generally open to the poor, who might lose in employment what they gain from cheaper food.

### *Disincentive Effect: A Long-Kun Phenomenon*

The adverse effect of the ration system on domestic food production is felt not in the short but in the long run. In the short run, food imports channeled through the ration shops add to the total supply. One ton of imported grain does not reduce domestic production by one ton. However, the "disincentive effect" makes its presence felt in the long run. There are basically two different disincentive effects: 1) the price effect and 2) the policy effect.

### *The Price Effect*

The volume of food imports is substantial. Between January 1972 and November 1977, Bangladesh imported over 11 million tons of foodgrain or almost 2

million tons annually. This corresponds to approximately 15 percent of total domestic production.

The effects of such huge injections of imported grain upon food prices is bound to be negative. The concomitant loss in domestic production is extremely difficult to assess in quantitative terms since no reliable estimate exists on the elasticity of supply of different crops. All that can be said with certainty is that the farmers do respond positively to price incentives, and low food prices only increases the high risks associated with the adoption of technological innovations for raising agricultural production. For instance, the revolutionary rice plants of the Green Revolution demand greater capital investment from the growers. Entrepreneurs adopting the magical HYV (high yielding variety) seeds have therefore been chiefly owners of medium and large size farms, favoured by ownership of capital and access to subsidised inputs funnelled through modern institutions such as "farmer's co-operatives" — institutions invariably controlled by large land owners. Subsequently, with their profits they buy out the small landholders so that with the passage of time the peasantry becomes more and more marginalised. To illustrate, in 1951 about 14 percent of the cultivators were without land. By 1974 their number was estimated at 40 percent. The top 8 percent of the rural households operate about 45 percent of the total cultivated land. (Ahmad, 1980: 12). By comparison, 65 percent of the small farmers own only 26 percent of the land. The trend is clear. The dynamics of rural poverty brings about the transition from medium to small plots and then over a number of years to sharecropping and landlessness.

This process exists not only in Bangladesh but is found to repeat itself in every country where farmland is allowed to be the source of individual wealth. For instance, in Sonora, Mexico, before the Green Revolution the average farm size was 400 acres. After 20 years of publicly funded modernisation the average has now climbed to 2000 acres. In contrast, more than three quarters of Sonora's rural labour force have no land at all. (Collins and Lappe, 1977:30).

### *The Policy Effect.*

The policy effect understood as the disincentive impact of food aid is even more serious. A cable from the US embassy in Dhaka illustrates this point neatly:

The incentive for Bangladesh government leaders to devote attention resources and talent to the problem of increasing domestic foodgrain production is reduced by the security provided by US and other donors' food assistance. (McHenry/Bird, 1977:79).

As it is much easier to order a shipment of food through the embassy in Washington than to spend time and money on a domestic procurement program, a definite complacency has settled over the bureaucracy. The technocrats who dominate the powerful ministries of finance, planning and food are resigned to continued reliance on American, Canadian and Australian surplus of foodgrains.



But foodgrain imports should complement and stabilise reliance on domestic production. They should not be allowed to displace it. In reality, the most serious factor reducing the positive impact of food imports is that it replaces rather than supplements domestic efforts to mobilise resources. Past evidence suggests that good domestic harvests and massive foreign food inflow go together. In the words of a US AID official:

our food and levels correspond to their good harvests. They receive the most food and when they produce the most grains internally and receive correspondingly smaller amounts during lean harvests. (Quoted in McHenry and Bird)

Abundant years create enormous surpluses that cost US tax payers as much as a million dollar a day just for storage. (Lappe and Collins, 1973:329). But if these surpluses were dumped on the world market grain prices would drop by a dollar a bushel and US farms and grain companies would become less profitable. Little wonder that PL 480 is so important only in abundant years. Behind the human rhetoric, PL 480 is nothing but a convenient device that enables low-income countries, which otherwise would not constitute a market at all, to buy surplus American food while keeping the commercial dollar price up for higher income countries.

In the case of Bangladesh, the events of 1974 may be cited by way of illustration. In spite of a traditional preference for rice, Bangladesh preferred to purchase wheat because it was less expensive. However, during the food aid negotiations towards the end of 1974, the US made it clear that Bangladesh could obtain an increasing quantity of wheat only in combination with an increasing quantity of rice. The pressure to accept rice from the US was due to domestic lobby (in the US), reacting to bumper crop of rice in 1974. (Parkinson, 1981:98). With a given money value of food assistance, an increased proportion of (the more expensive) rice had the effect of reducing the quantum of food available to Bangladesh.

The more dependent a country is on imported grain, the more costly government attempts to achieve self-sufficiency in foodstuffs become. And that is not all. The inflow of foreign food in food-deficit poorer nations such as Bangladesh, has not only delayed agricultural development; it has also affected profound modification in dietary habits, thereby rendering the importing country more dependent on foreign aid. Hence, after some 25 billion dollars spent on US food aid programs, the people in Latin America have learned to eat wheat flour and people in India, South Korea, Pakistan and Bangladesh buy food shipped half-way around the globe. In the Congo, bread is rapidly winning against "Chiwanga" at breakfast, because bread was the staple diet of the colonial rulers. As Senator McGovern remarked in 1964:

The great food markets of the future are the very areas where vast numbers of people are learning through food for peace to eat American produce. The people we assist today will become our customers tomorrow. (George, 1977:177)

In the Third World today, bread consumption has become identified with progress and modernity. It is precisely this kind of idiosyncratic values (among others), that have fostered Bangladesh's extraordinary dependence on U.S., Canadian and Australian agricultural exports.

#### *Further Distributive Distortions Through Fiscal Measures*

Food imported under an over-valued exchange rate and distributed through the ration system, reduces funds generated for financing public sector development expenditures. The annual loss on this account amounted to more than 1/5 of the total annual development expenditures between 1972-73 and 1974-75. The share of food subsidies in revenue was 37 percent, 26 percent and 15 percent in 1973, 1974 and 1975 respectively. The national budget data also shows that the ratio of food subsidy to total capital expenditure in 1974 and 1975 was 24 and 16 percent respectively.

These figures ought to be viewed with particular concern since sources of revenue are limited and the government sector is expected to play a large part in the development effort. One's concern is further aggravated when this large share of food subsidies in total expenditure is compared with the limited quantitative importance of such subsidies in the developed industrialised nations. Despite its growth in 1975, the UK food subsidy program accounted for only 1 percent of total expenditures while the US food stamp scheme accounted for only about one tenth of this amount.

The argument commonly used to justify the subsidy on ration shop rice (and wheat in Bangladesh), is that it is merely a policy for ensuring cheap wage goods. But since the rural poor, the landless labourers and the deficit farmers have no access to the subsidised food, abolition of the same would cause them no hardship. Rather there would be indirect relief since the government would be freed from the task of meeting the cost of subsidies, by taking recourse to deficit financing. This would reduce the size of the budget deficit and hence the inflationary pressure. In fact, Nurul Islam contends that during 1972/73 and 1973/74, the entire deficit on the revenue (non-development...) budget of the government would have been eliminated if the subsidies on food were abolished. (Islam, 1977:203).

Beneficiaries of the public food distribution system argue that without it, market imperfections would result in very large fluctuations—both seasonal and annual—in the supply of food grains to the urban centres. But this would be a valid reason for rationing foodgrains only in times of overall shortages or of temporary dislocations of supply. One can hardly find justification for subsidising food supply to the well-off sections of the population at all times, at the cost of the public exchequer.



The shortage of foodgrains that Bangladesh suffers from has been mostly of her own making. Politics has resulted in the failure to relieve hunger and has in fact worked against long term efforts to achieve domestic self sufficiency. The technical means exist to increase output, to diversify economic activities and to develop a broader economic base. It is time we understood the premises on which the shortage theory is built and readjusted our plans and policies accordingly.

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# Prevention of Food Adulteration

## Ineffective Legislation

Anvita Sinha  
N N Mehrotra

THE main objective of food laws is to ensure that the food articles which the public buys should be prepared, packed and stored under sanitary conditions and with such ingredients and such processes so as not to be injurious to the health of people who consume it. In India, during the pre-independence period the Indian Penal code 1860 was expected to take care of noxious food. Along with this, various states had their own laws to overcome the problem of adulteration of food stuffs. This became a problematic job for implementing authorities since different territories in the country were subject to different laws on the same subject. With a view to removing these diversities and loopholes, a central legislation came into force in the form of Prevention of Food Adulteration Act 1954 (PFA Act). Its rules were framed in 1955 and are known as Prevention of Food Adulteration Rules 1955 (PFA Rules). The main objectives of the PFA Act and Rules are to protect the consumer against ill-health caused by adulteration; to restrict and control the use of food additives and to confirm the nutritional standards of the food. These laws are applicable for both kinds of foods whether manufactured indigenously or imported.

Over the years the Prevention of Food Adulteration Act and Rules have been amended a number of times. (The PFA Act was amended three times—1965, 1972, and 1976.) In 1976 it was amended thoroughly with the prime objective of overcoming the growing problem of food adulteration, as our nutritional standards were already very low and it was becoming dangerous for the society. The PFA Rules have been amended more than a hundred times. These amendments have greatly increased the severity and complexity of PFA Act and Rules without having significant impact on the achievement of their basic objectives. In this study an effort has been made to analyse the PFA Act and Rules with a view to pointing out lacunae that exist in our legislation.

The PFA Act and Rules can be analysed at two stages, firstly at the legislative and advisory stage and secondly, at the implementation and enforcement stage. The legislation has defined certain terms, fixed standards for different articles of foods and some processes to be adopted. At the stage of implementation and enforcement of legislation, i.e., for the inspection of manufacturing or selling premises and for collection and despatch of samples for analysis and for instituting prosecution against the culprit, etc.

### LEGISLATIVE AND ADVISORY STAGE

The first and the most important thing of concern is the language of the PFA Act and Rules which is too technical to be followed by a lay person. It has not taken into account

the fact that generally the vendors and retailers, who are prosecuted the maximum are illiterate. (More than 70 per cent of the total prosecutions were launched against vendors and retailers during the period 1960 to 1980, as observed in a statistical analysis done by S N Rath, 1985.<sup>1</sup>) Even if they are literate, it is difficult for them to understand the language of the legislation. On the other hand, according to section 19(1) of the PFA Act "ignorance of law is no excuse or defence". To overcome this drawback, PFA authorities should organise some legal education programme for vendors and retailers.

Let us now look at the constitution of the Central Committee for Food Standards (CCFS), the ultimate body responsible for PFA legislation. Section III gives the details of the membership of CCFS and it is worthwhile to notice that it does not have any representation from food toxicologists,<sup>2</sup> non-governmental organisations and trade unions' representatives.

Appendix B attached to PFA Act and Rules giving the specifications for various foods and food products is not an exhaustive one. It does not cover all the food products, specially the instant foods which are now-a-days being used extensively. K K G Menon of Hindustan Lever suggests that amended Rule 37A of PFA Rules 1955, which makes it mandatory that all food products and its labels should be approved by the government, is not a step in the right direction since it affects mostly mass consumption daily items (like dosa mix or papads) purely because the specifications for such items are not laid down in appendix B of the PFA Act<sup>3</sup> and if any manufacturer applies for approval of its product there is no time limit at all laid down for getting it approved.<sup>4</sup> To make this list exhaustive, regular review mechanisms should be evolved. In appendix B, it is not necessary to give batch number and date of manufacture for certain products (e.g., lal mirch powder). There is a definite possibility of these getting infected by insects or worms, if stored for a longer period of time.

Though the legislation has fixed standards and specifications for various food articles, the PFA Act and Rules make no mention about ensuring the ability of an industry to perform all the tests for the purposes of quality control. Small-scale industries may also lack appropriate quality because they are not well equipped with laboratory facilities to control the quality of their products.<sup>5</sup> With a view to making available laboratory facilities to those manufacturers who cannot have their own facilities, common laboratory facilities should be established at different centres throughout the country under the aegis of co-operative sec-

tor, industrial associations or by government.

There is no provision in the act to compensate the victims who suffered bodily pain or even death due to consumption of adulterated food.<sup>6</sup> There should be some provision to compensate such victims.

The PFA Act and Rules do not have provision for standardisation of the methods, reagents, and provisions, which are to be adopted while analysing the sample. It has been observed that the results of public analyst and of the director, Central Food Laboratory often vary a lot. This may also be due to differences in their methods of analysis or chemicals used in the analysis. There should be standardised methods available to all concerned and it should be made mandatory to follow only these methods while analysing the sample.

For certain food articles possibility of bacterial contamination always exists, but no reference to bacteriological standards has been made, e.g., for carbonated water. Bacteriological standards for all food articles should be fixed as early as possible.

The PFA Act and Rules have adopted different approach while permitting the use of additives in various food articles, e.g., in the case of preservatives, antioxidants, emulsifiers, stabilisers and food colours, there is a list of permitted chemicals, whereas for food flavours the list is for prohibited flavours. Here the former approach recognises the safety of specific chemicals on the basis of experimental evidence while the latter assumes the safety of various chemicals unless proven otherwise. Similar to other countries our approach for flavours should also be of mixed type, i.e., the combined list of permitted and non-permitted flavours. Moreover, if for all food colours the maximum permissible limit is the same and if it has to be based on intrinsic toxicological properties, then fixing same levels for different food colours belonging to different chemical groups is unscientific. The law, therefore, does not reflect any understanding of relation between and assessment of the degree of risk.<sup>7</sup> It is worth noticing that there is no mention at all about artificial sweeteners in the PFA Rules as to what are permitted for use.

There are some definitions of terms and procedures for which wrong interpretation can often be made or they are less effective in their present form:

Section 2(ia) (m) of PFA Act reads—"if the quality or purity of the article falls below the prescribed standard or its constituent are present in quantities not within the prescribed limits of variability but which does not render it injurious to health". Provided that where quality or purity of the article, being primary food, has fallen below the prescribed standards or its constituents are present in quantities not within the prescribed limits of variability in either case, solely due to natural causes and beyond the control of human agency, then such article shall not be deemed to be adulterated within the meaning of this sub-clause.

As mentioned earlier, it is obvious that PFA Act does not make any distinction bet-

ween adulterated and substandard product. The vendor or a person is prosecuted in the same way whatever the condition be.

According to the above definition, the primary food has been exempted from the standards laid down. But there is no mention about the prohibition of its use for further processing for food and if processed, whether the products of such primary food is bound to conform to the prescribed standards or not.

Section seven of PFA Act states that "No person shall himself or by any person on his behalf manufacture for sale or store, sell or distribute: (i) Any adulterated food; (ii) Any misbranded food." Here the act prohibits the manufacture of adulterated foods for a limited action and does not prohibit the production as an intermediate for further use for production of adulterated foods.

The definition of pasteurisation given in appendix B of PFA Act differs from the standard text book definitions, viz, "All pasteurised milk of different classes shall be cooled immediately to temperatures of 10° C or less" but in text books it is 4° C or less.

#### AT THE IMPLEMENTATION AND ENFORCEMENT STAGE

The enforcement machinery which is responsible for effective implementation of PFA Act and Rules generally comprises food inspectors who inspect the manufacturing or selling premises and collect the samples of food articles. The public analyst and the director, Central Food Laboratory, are responsible for analysis of samples collected by food inspectors and the local (health) authority who after getting the report are involved in launching the prosecution against the vendors.

Section 14 A of PFA Act says that "Every vendor of an article of food shall, if so required, disclose to the food inspector the name, address and other particulars of the person from whom he purchased the article of the food".

However, there is no provision which makes it obligatory on the part of the vendor to show the warranty or any proof or record of his purchase to the food inspector at the time of seizure of the sample. This leaves enough scope for manipulation. So it should be mandatory for the vendor to show warranty or proof of purchase at the time of seizure itself.

Rules 7 and 9 deal with the duties of public analyst and food inspector but there are inadequate provisions for supervision and analysis of the articles of food in the manufacturing concern itself.

Section 10 of PFA Act empowers food inspector to take samples of any article of food from: (i) Any person selling such articles; (ii) any person who is in the course of conveying, delivering or preparing to deliver articles to a purchaser or consignee; (iii) a consignee after delivery of any such article to him.

In this way the inspector can take samples

of food articles, but there are various articles which serve multiple purposes, e.g., coconut oil has other uses besides being a food item. It is used as a frying medium as well as a hair oil and if the food inspector asks for a sample of such an item, it can be refused to him with the argument that it is not meant for sale as a food article. However, it can continue to be sold as a food article also.

Rules 32 to 43 deal with the packing and labelling of food articles but these do not mention about the labelling of containers of food articles which are being sold in loose form. It should therefore, be made mandatory for the vendor to fix label on every such item available in the shop (specially mentioning about their use). K K G Menon also observes that most of the adulteration, whether it be in the haldi powder, mirch powder or ghee occurs because these materials are sold in unpacked form. As long as food materials are properly packed and branded there is little likelihood of wilful adulteration. While the government can encourage packaging in foods and take steps to see that conditions conducive to more and more foods being sold in pack are created, one can argue both for the illiterate vendors, about fulfilling the above criteria. The answer will be that there must be some provision for the use of symbolic language for labelling the container or the material on sale.

Rule 15 describes about the label on the container of the sample which is collected for analysis. Its clauses C and D say that there should be mention about the name of the vendor as well as the place of collection. It will be better, if it is not disclosed and kept secret by assigning certain code numbers, since it will be definitely helpful in keeping some distance between vendor and the public analyst.

Rule 7 (3) gives the time limit for public analyst to submit the results of his analysis "the public analyst shall within a period of forty days from the date of receipt of any sample for analysis, deliver to the local (health) authority a report of results of such analysis in Form III".

This period of 40 days given to the public analyst for submission of report is too long, because in the meantime the other identical sample lying in the custody of the local (health) authority is often likely to be decomposed or spoiled. The report from the director, Central Food Laboratory, often, therefore varies from the earlier report of the public analyst. If it so happens then it can lead to wrong results or interpretations and the culprit mostly gets the benefit of doubt. "And the certificate issued by the director of the Central Food Laboratory (under sub-section (2B) shall supersede the report given by the public analyst under sub-section (1)". On the other side, there is no provision or scope for defence to challenge the report of the director of the Central Food Laboratory, even if it is erroneous.

Appendix A of the PFA Rules gives various kinds of forms which are to be used

for various purposes by office bearers of enforcement machinery. The forms II and III which are meant for submitting the analysis report by director, Central Food Laboratory and the public analyst do not even require the mention of the date of their analysis. While going through some of the cases, launched during past few years it is observed that there is a wide variation between the two analysis reports (the reason may be the difference in methods of analysis or decomposition of samples). For example in the case of khandasari in which the permissible limit for sulphur dioxide (SO<sub>2</sub>) is 70 ppm, the prosecution was launched against the vendor on the basis of the report of the public analyst (SO<sub>2</sub> was 107 ppm), but later on he was released on the basis of report obtained from the director, Central Food Laboratory because it was found to be within the permissible limits. (Decomposition of sample causing the release of SO<sub>2</sub> in the atmosphere reduces its concentration in the sample.)

Section 12 says that every purchaser has a right to get the food analysed, if he follows certain procedures as given in the sub-section 1, 2 and 3 of Section 11 of PFA act. But here the provision seems to be ineffective since there is no provision in the Act for penalising a vendor if he refuses to sell any article of food to a purchaser for analysis.

#### PROSECUTION

After getting the report from the public analyst the local (health) authority has to 'use his mind' for catching the real culprit and launching the prosecution.

Rule 9-A reads as: "The local (health) authority shall within a period of ten days after the institution of prosecution, forward a copy of the report of the result of analysis in Form III delivered to him under sub-rule (3) of Rule 7 by registered post or by hand as may be appropriate to the person from whom the sample of the article was taken by the food inspector, and simultaneously also to the person if any, whose name, address and other particulars have been disclosed under section 14-A of the Act".

It is clear from this part of rule that there is no time limit laid down on the part of the local (health) authority for institution of prosecution after receiving results of the analysis from the public analyst. Since the clauses 2 to 2E of section 13 have given the vendor the right to request for retesting of the sample from the director, Central Food Laboratory, if time limits are not laid down then there may be possibility of spoilage or decomposition of sample which may be under the custody of local (health) authority. The spoilage is sure to lead to difficulty in proper identification and testing of the sample.

Section 17(2) reads as "any company may, by order in writing, authorise any of its directors or managers (such manager being employed mainly in a managerial or supervisory capacity) to exercise all such powers and take all such steps as may be necessary



or expedient to prevent the commission by the company of any offence under this act and may give notice to the local (health) authority, in such form and in such manner as may be prescribed, that it has nominated such director or manager as the person responsible along with the written consent of such director or manager for being so nominated."

The provision to nominate a person may not be sound unless the person is also a partner. Owners are the decision makers and they decide all the affairs of the company. However, when food inspector catches them red-handed, they may escape from prosecution since they had nominated a person called the manager (the poor salary-holder) as a nominee.

Section 16 deals with the penalty for the vendor and it does not distinguish between the offences involving: (a) willful adulteration; (b) unavoidable contamination; (c) substandard product.

Besides, another important factor which also contributes to the ineffectiveness of our food legislation, is the multiplicity of the agencies concerned with the food quality control. At present there are a number of acts and orders which cover the manufacturing and sale of food products. These include Prevention of Food Adulteration Act 1954, Indian Penal Code 1860, Fruit Products Control Order 1955, Vegetable Oil Products Control Order 1947, Agricultural Produce (Grading and Marketing) Act, 1937, Drugs and Cosmetics Act, 1940, Meat Food Products Order, 1973, The Sugar Control Order, Solvent Extracted Oil, Deoiled Meal and Edible Flour Control Order, The Indian Standards Institution Certification Mark and Agmarks Standards. There is no coherence and co-ordinated working of agencies under these control orders. This can be illustrated with the help of the following example: the PFA Act and FPO have defined the same product in a different way like a drink containing 5 per cent fruit juice is a fruit beverage or fruit drink under the PFA regulation [Appendix B (A) (16.05)] but it is only a synthetic product under FPO. In fact the latter insists that the product containing less than 25 per cent fruit juice shall have a clear and conspicuous label "contains no fruit juice or pulp".

In our legislation it is not mandatory to publish and advertise all the notifications and amendments in newspapers and the other mass media. This is the main factor contributing towards poor consumer as well as user awareness. The main problem exists at this level and therefore, educative programmes for consumers, vendors and retailers could solve the problem to a large extent.

Lacunae thus exist at various levels, whether it be at the legislative and advisory stage or at the implementation and enforcement stage. And here the legislation requires a thorough review and modifications at each and every level to overcome all the drawback.

### Notes

- 1 Rath, S N: "Prevention of Food Adulteration and the Lab", Deep and Deep Publication, 1985.
- 2 Menon, K K G: 'Outmoded Food Law and Constraints on Food Industry' in "Proceedings of the Third Indian Convention of Food Scientist and Technologists", January 2-4, 1983, pp 11-17.
- 3 Menon, K K G: *ibid*, p 11-17.
- 4 Sinha, G N: 'The Prevention of Food Adulteration Act and the Rules' in "Proceedings of the Third Indian Convention of Food Scientist and Technologists", January 2-4, 1983, p 5.
- 5 Background paper, Seminar on Food Laws and Industry, Calcutta, December 21, 1985,

organised by Council for Indian Food Trade and Industry and Federation of Indian Chamber of Commerce.

- 6 Rath, S N: "Prevention of Food Adulteration and the Lab", Deep and Deep Publication, 1985, p 152.
- 7 Aiyar, A S: 'Impact of Food Regulation on the Food System' in "Proceedings of the Third Indian Convention of Food Scientist and Technologists", January 2-4, 1983, pp 28-31.
- 8 Aiyar, A S: *ibid*, pp 28-31.
- 9 The prevention of Food Adulteration Act, 1954 (37 of 1954) and PFA Rules 1965 as amended upto December 6, 1985, Council for Indian Food, Trade and Industry, Federation House, Tansen Marg, New Delhi.